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CONTENTS

Reflections at Christmastide	773	THAILAND	
Communism and Power Politics	775	Thailand's Political Parties (Part I) . . .	799
Recent Developments of Transport in China	777	Thailand's Architecture and Constructions . . .	801
Financing the Postwar Economic Growth of Hongkong	781	PHILIPPINES	
Marxism and the Study of History	783	Prospects of Philippine Foreign Trade . . .	804
The Aftermath of Destalinization	786	Progress in the Philippines	807
Modernisation of Asia	789	The Tariff as an Instrument of Philippine National Policy	809
Central Banking in Asia: Policies and Techniques	792	The Psychology of the Filipino People . . .	811
KOREA		BURMA	
American-Korean Relations and China	795	The Union of Burma	813
JAPAN		HONGKONG	
First Impressions of Japan	798	Hongkong's History	818
		BOOK REVIEWS	
		China: Real Past and Supposed Present	822
		Hongkong Exchange and Gold Markets	824

Reflections at Christmastide

In its kindly and profound sentiments Christmas belongs neither to one age nor to one religion. It is unrelated to distinctions of colour or of geography. It was a season of festivity and goodwill even in the days when all men were pagan or sun worshippers. But it was with its adoption as the anniversary of the Birth of Christ that this festival, which originated in the West and then spread eastward, acquired its high and singular significance. Then the central idea of the Winter Solstice—the return of Light—became the hope of the world in the birth of Christ, the Light of the World.

It was, perhaps, no mere chance of history that it was beside this troubled bridge between the Eastern and Western Hemispheres—the centre of so much anger and heart-searching of late—that the great Ministry began which has penetrated to the very ends of the earth. To-day the sudden storm of violence in action and in the hearts of men has subsided almost as quickly as it blew up, leaving extremes of thought and action confounded. Much intense bitterness of feeling remains both over Suez and Sinai and over the very heart of Europe, but there are strivings as a result which may create a new synthesis of better augury for the unity of the world. There is much debris beside the road just now. The Communist World Peace Council is one of the casualties. The Prince of Peace stands out high above all the meretricious makeshifts of the ideological partisans. Excessive and narrow nationalism, blown up to arrogance by the keen winds of long inferiority, and an exercise in the older form of imperialist reprisal, clashed to the detriment of both. The world's greatest international waterway still calls for a new sense of responsibility and solidarity. In Hungary the collision was the age-old one between the passion for freedom and the forces seeking to crush it. Often in the years since the first world war broke out, the sonorous greeting "Peace and Goodwill" rang strangely on ears more attuned to cynicism. Many will find this so again on this occasion. Yet the Message is all the more relevant and given with all the greater earnestness.

It cannot be said that matters were going in the right direction since the end of the last war. Indeed the world seemed to be marching toward another vast conflagration in this fearful atomic age rather than toward a new and more enduring peace. It was hardening into two hostile camps, wherein were assembling all the punitive might of the universe. The drift into a third camp of Neutralists seemed a very poor hope for the reconciliation of the two armed camps, but within a week or two the blocks have been breaking up like iceflows in the warmth of spring. The new dispersion of the old deadlocked concentration may spell fragmentation and anarchy such as destroyed the ancient Greek world. Or it may lead to a far better re-integration such as inspired the hopes and devotion of all good men when the last war ended and we turned to our statesmen and to the symbol of our "one world" hopes—the United Nations. The years that have passed since have often made that phrase sound like a mockery as the angry controversies and conflicts of the nations were brought before the Glass Palace. Yet the clash between narrow nationalism and overriding internationalism which had its immediate origin in Suez emphasised, at the very moment when it seemed to defy, the superior claims of the common rather than the particular need and right. One is reminded that the Christian faith has contributed an idea that supersedes both that of equality and that of inequality—the idea of human inter-dependence.

If the speech delivered by American Vice-President Nixon, just before the vote on the British Government's policy was taken, had been given at any time during all the tortuous negotiations before and after Nasser grabbed the Canal there would have been no crisis, and none would have been happier than the British. Even the promise of help would have been utterly unnecessary. As it was, Mr. Nixon spoke only just in time. Had the 100 angry Tory malcontents voted against the

Government it would have fallen, the Conservatives would have been split from top to bottom, and a Labour Government would have been returned with a mandate and majority for a decade in which Mr. Aneurin Bevan would have been the moving spirit. It would have created a revolution in foreign policy as dramatic as the Attlee revolution in imperial policy in India. A new Socialist International under energetic British leadership would have transformed the British position and inevitably have drawn a reformed Soviet Union into it to create a vast Socialist bloc in both East and West, and including the greater part of Asia, which would have altered the aspect of the whole world.

It may happen yet unless the initiative required to realise a bold and comprehensive settlement of the whole of the Middle East is pursued to full success. If that comes about we shall have wrought better than we knew, and the ending of our arduous political role in that region as well as in the Far East will be as happy as our abdication in India.

Britain was the leading force from the West which took the peoples of Asia out of the Middle Ages into the Machine Age. We leave them at the dawn of a new age to be illumined, powered and enriched by atomic energy which will liberate Britain from all dependence on others even for oil.

It will be a reward we shall have earned for ourselves. We have taught the multi-millions of Asia new ideas and new principles; the right and power to change Government by the ballot instead of the bullet and the bloody ways of olden change. They have been taught to fly far faster than the horse which was their maximum through the ages, and faster than the birds of the air; to move through the waters far faster than by primitive sail. We have taught them new ideas of service to their fellow men, built them their first factories, railways, metalled roads, modern ports, and power plants. We and others from the West brought to them the modern sciences and new philosophies, new machines for spinning and weaving and a thousand other purposes; taught them the power of swift waters when dammed for power and the art of steel bridging, now being turned to such notable purpose (with the expert aid of Soviet engineers) on the mighty Yangtze. We taught them modern medicine and surgery, dentistry and nursing, and gave them new drugs filled with healing power, and vaccination and inoculation to prevent the diseases which decimated them regularly. And above all we taught the youth to run and jump and play, to indulge in all the field and track games which, from Soccer downward, has altered the whole life of youth and given it a colour, zest and passion never known before. And we have enabled them to learn the delights of Western music, and to glory in their love and proficiency at it. This was "Colonialism!"

Never since the world began could such an epitaph be written at the close of a political era and the completion of a historic mission. Not even the immortal oration of Pericles on the glories of Athens could equal what a just eloquence could set down in praise of what the West has done, though it is still the fashion in Asia to see nothing but its evils and blemishes, of which there were many. But the record will some day, and that at no long distance, be put straight and properly balanced.

There is still for us a great mission which the British alone can perform in the progressive unification of the European peoples from whom the British themselves sprang. Sooner or later the Russians will have to withdraw behind their own frontiers and the Americans will also withdraw from Western Europe. The role of reconciliation and unification to which Britain is called is one less of our own choosing than that of the Europeans themselves. It has been regarded with scepticism and reluctance in the past. It was the "Empire" that appealed to our emotions and our imagination, and then, when it became clear that the Asian members desired their independence and to go their own way, the senior members of the Commonwealth with their keen sense of kinship and family ties. There is no reason at all why similar feelings cannot be generated between the peoples of Europe and of the British Isles, and every reason in logic and security, in peace and prosperity, why we should embark upon this constructive crusade with the same vision, ardour and joyous hope that the greatest of contemporary Englishmen brought to his cherished association with the Council of Europe and the concept it symbolises.

The nations of Asia are coming together for the first time in history. It is the West which has brought this about—the West, its ideas, its inventions, its means of rapid travel and intercourse which belonged to no previous age. It is for the peoples of Asia now to learn how to live at peace and in concord with one another, and a Westerner may well hope that they will be more fortunate than we have been in the West in our sanguinary strivings for a unity that still eludes us but which exists in the heart and mind now as never before. It is the great desire that is above all other desires among the Western peoples. The United States has afforded them all a great example: The Great Republic has taken the peoples of the entire Continent into its broad spaces and has made them one. This is, if only one thinks about it, the greatest miracle and boon of the past century. The Atlantic Community must remain, perhaps less as an Alliance than as a communion of peoples who have everything to unite them and little enough to divide them. Its endurance, in whatever form, will be a guarantee of the early attainment of the aim of European integration and of its permanence. Here is a part for the British to play that ought to put aside all vain regrets and backward glances. It has been their destiny to awaken Asia from its sleep and put it on the high road of new life. It has been their destiny to find and populate new continents and create new nations. One last service awaits us and it is one that they seek of us rather than one that is self-sought, still less self-imposed. The little nations—the modern City States of the Greece that perished—cannot exist any longer in their isolation. They must, for survival and salvation, unite together. And there is greater glory to be gained in ministering to that mission than has ever been gained by the achievements of the past.

It is with a resurgence of Hope and a confident look into the future that we extend to all our Readers the familiar wishes for a Merry Christmas and a Happy New Year.

Communism and Power Politics

By Professor E. Stuart Kirby
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One of the most significant events of 1956 has been largely overlooked in current commentaries. One reason for this is that it happened in the midst of the hurly-burly of the crucial stage of the Suez crisis, when the event was to a considerable degree crowded out of the headlines, and overlaid by other preoccupations in people's minds.

The occurrence in question is that, on the first outbreak of the revolt in Hungary, the Communist Government of China took a certain line in regard to the Hungarian rising; and, only a few days later, completely reversed that line.

At the beginning of the rebellion in Hungary, the Peking authorities expressed approval, sympathy and support for the protest movement of the Hungarian people, parallel with the acceptance and endorsement it extended to the earlier movement of protest in Poland. It acclaimed the concession of "reforms" in the Polish case, and seconded the movement in Hungary on the same basis. This was an entirely official statement on the governmental level, clearly expressed, and couched in tones of reflection and judgement.

Five days later, the Peking Government completely and suddenly reversed its public stand on this question. The reversal was equally official, explicit and "high-level". It now approved, supported and praised the action of the Russian Government and Army in violently and drastically suppressing the revolt in Hungary, which it now described as a counter-revolutionary attempt. At the same time, however, it still expressed sympathy and approval of the parallel movement in Poland of protest against Communist inefficiency and exploitation, now representing the two cases as different in kind or in degree (it is not fully clear which).

What happened in those few days to cause this volte-face? Some commentators point to the arrival in China, immediately after the first news broke, of certain influential Soviet-Russian persons, who are presumed to have brought China back into line with the forceful and ruthless policy applied by Moscow. This is taken as a striking demonstration of real Russian control over the Chinese Government.

Of this there can be no overt proof, though the circumstantial record seems very plain. But it is clear that the Chinese Communists had to make a very wide and fundamental reassessment of their attitude on the plane of high policy involving the most vital issues. There is a great deal behind this; it is necessary to examine the occurrence closely in its details, which in themselves are extraordinarily revealing, but also to consider it in relation to the whole background of the world situation, in which the Communist States are involving themselves heavily in the attitudes and procedures of Power politics.

One of the best or clearest statements of the first line was given by the official New China News Agency of Peking, in its release of November 1st. It opens as ostensibly an endorsement of a declaration by the Russian Soviet Government. This is a characteristic and convenient device, when the question is really one of disagreement with the Russian stand, and the expression of a somewhat divergent Chinese viewpoint.

It opens: "the Government of the Soviet Union issued, on October 30th, a declaration on the bases of the development and consolidation of friendship and cooperation between the USSR and other Socialist States. The Government of the Chinese People's Republic considers this declaration of the USSR Government to be correct." But here at once comes what is — if one is familiar with Communist semantics and rhetoric — the backhander: "This declaration is of great importance in correcting errors in mutual relations between the Socialist countries, and strengthening their unity". That is to say, the relations between these countries are not satisfactory, in fact they were seriously wrong.

It proceeds at once (we are quoting its whole text here) to state a positive line, in the matter of the principles of international relations, which is rather distinctly different from the one on which Russian action is patently based. This is the line of the "five principles", the *panch shila* upheld by India and endorsed by the Bandoeng Group of countries, essentially a standpoint which is firmly "neutralist", pacifist, and particularly opposed to the arbitrament of force, on which the Russians rely:

"The People's Republic of China asserts that the Five Principles — mutual respect for sovereign rights and territorial integrity, non-aggression, non-intervention in each other's internal affairs, equality and mutual benefit, and peaceful coexistence — should govern the foundation and development of reciprocal relations between all nations in the world". Russian action, in the sight of all the world, so clearly violates every one of these principles that this statement can only be, on the part of a people so realistic as the Chinese, an open reproach to "Big Brother".

The next words rub it in, with a formulation that is surely nothing short of Titoist: "The Socialist Countries are all independent, sovereign states". The next sentence would seem to mollify, by stressing that: "At the same time, they are united by the common ideals of Socialism and proletarian internationalism"; but the next swings another left hook to the jaw, with: "Consequently, reciprocal relations between Socialist Countries should, all the more, be founded on the Five Principles". This, the statement continues, is their only way to "genuine brotherly friendship...solidarity...mutual aid and cooperation".

Thus "...there have been mistakes in the relations of Socialist Countries with each other". The handling of the Yugoslav situation in 1948-9 and the recent happenings in Poland suffice to illustrate this" (almost suggesting that other examples could be given; perhaps some nearer home to China?). The Soviet declaration of October 30th is then praised — in a manner which might be taken to emphasise the Russian commitment to this line, and hold them to it — as a recognition of the Five Principles approach, adding that "this is an important step" which "is of clear value in eliminating the estrangements and misunderstandings" which thus so portentously are admitted to exist "between the Socialist Countries".

Now comes the specific endorsement of the movements in both Poland and Hungary, and the flat assertion that Russia should meet their "completely proper" demands. The text here is: "The Government of the Chinese People's Republic notes that the people of Poland and Hungary have, in the recent occurrences, raised demands that democracy, independence and equality be strengthened, and the material welfare of the peoples raised by developing production. These demands are perfectly proper". And it is "correct" to satisfy them: "Correct satisfaction of these demands" will lead to consolidation and unity.

We have not space to reproduce all the text at this point, but only the padding is omitted. The next section certainly goes on to warn against the admixture of "reactionary elements" in these protest movements, but suggests "with satisfaction" that these movements are those of "the widest masses of the people", which it is the duty of other socialist countries to take an interest in and to support.

In conclusion, it again remarks very pointedly how "the principle of equality in the mutual relationships of nations" has been infringed in the Communist camp. Such a "mistake" is "nothing less" than "bourgeois chauvinism". "Such a mistake, particularly" — here again the charge is laid squarely against Russia — "particularly the mistake of chauvinism by a big country, inevitably results in serious damage to the solidarity and common cause of the socialist nations". Damage

to the cause of Communism there has certainly been, caused by the jackboot-militarist and extractive-colonialist policies of Russia in subjected territories; Communist China is clearly very uneasy, very conscious of the "mistakes", inclined to chalk them up publicly against Russia, and inclined to administer public rebukes and lectures on the superiority or advisability of the Titoist and/or Afro-Asian approaches, with rather a minimum of wrapping up these strictures and denunciations in the phraseology of solidarity and optimism.

Such, at any rate, was the first reaction; which is clearly the most telling and ingenuous. But only four days later, the line had drastically changed. The following quotations from the official newspapers of Communist China give a direct and undistorted picture of the revised line, though here again we have not space to reproduce all the verbiage and the ritualistic phrasing of Communist usage, and must content ourselves with citing the essential gist.

The "People's Daily" (Jen Min Jih Pao) of Peking, headlined its Editorial "Smash the Counter-Revolutionary Restoration" (in Hungary). This editorial begins: "Hungary is now in great chaos and danger". The theme in the following lines being that groups of reactionaries had taken advantage of the situation to attempt such a counter-revolution, we can only remark that it is amazing what a small and unrepresentative group of the last surviving remnants of a bygone, effete and detested social system (for that is what Communists represent them to be) can suddenly achieve: they can all of a sudden so seriously endanger all the fruits of the Liberation, which the people so deeply appreciate and cherish.

Only a few days before, however, this had been represented to the Chinese people as a broad mass movement by the Hungarian people, for very justifiable reforms in correction of definite abuses of international socialist principles. The interpretation now tends to be that these honest Hungarian workers have been misled by the reactionary cliques. What becomes of basic Communist theory, one may ask, if the Proletariat, which undertakes the most glorious and onerous task ever attempted in history—that of liberating mankind for ever from exploitation and class struggle—is so easily misled, backslides completely in a moment, and has to be Re-Liberated (a second time) by the Russian Army? The answer is plain to the whole world: international Communism stands bluntly revealed as crude Power Politics, the scale and directness of which are unprecedented in history.

The above-quoted leader goes on: "The Nagy Government, which is not even in a position to protect the safety of its Ministry of Foreign Affairs" has been totally unable to keep order in the country (against a handful of reactionaries?). The sneer in the last-quoted words is curiously characteristic. We recall a "protest" to another Government against its inability to suppress riots, on the part of these international experts in suppression, who of course are able to liquidate a mob in the twinkling of an eye, by their methods, and have always international Technical Assistance at hand, in the form of the ever-helpful Russian Army.

"It is absolutely erroneous", the article goes on, "to refer to the events in Hungary and those in Poland in the same terms". (But that is what the Peking authorities themselves had been doing, three days earlier). The Poles are praised for stopping somewhere short of where the Hungarians are pressing. Peking's attitude emerges here, in effect, as welcoming a degree of pressure against Russian mastery, but not such a degree of revolt as will endanger the stability of the Communist bloc altogether, and throw the strategic situation open to the direct intervention (assumed inevitable) of the United States.

The editorial of the same paper the next day, November 5th, 1956, "celebrated" the "joyful news" of the establishment of the Kadar Government (by the Hungarian people, of course, not by the influence of Russian tanks though "it is quite clear that the Hungarian people have won their victory with the help of the Soviet Union"). Further on, it recapitulates the "very serious" errors of the regime in Hungary. Accusations of this sort were previously denounced as counter-revolutionary lies, but now we have them on official record.

As an indictment of Communist governments, they speak for themselves. Party practice "often resorted to administrative measures and methods in lieu of political education", "adopted a sectarian attitude", "undermined the legal system", and "many innocent and upright working men, cadres, Party members and veterans were persecuted, imprisoned, or even executed". All this "damaged" the relation of the party to the masses, and "aroused serious dissatisfaction".

The errors on the economic front are next specified. In this connection, it is particularly interesting to note the stress on the adverse effects, on the living standards of the Hungarian masses, of the policy of forcing exports. What becomes of another basic assumption of Communist theory, that industrialisation is the right and indispensable way to national prosperity and progress, when we read the following? "In regard to the machine-building industry which constitutes a major branch, the greater part of the output has to be exported" (80% is in fact exported to Russia). "To meet foreign market requirements" (read, to supply Russia) "a great variety of products have to be made, with production on a small scale, production costs cannot easily be lowered". There has been "... excessive speed of industrialisation..." yet "industrial production became stagnant in 1954". The Party and Government failed, it continues, to raise the people's living conditions. "In relations with the Soviet Union" (it is revealed, though no details were given) "there also existed some deviations and defects." Perhaps the plan of deliveries by Hungary to the U.S.S.R. was not duly fulfilled?

The article goes on to describe the very wide movement of justifiable "demands, growing in intensity" which developed in Hungary after the 20th Party Congress in the U.S.S.R., and closes by restating the thesis that this movement was deceived by reactionaries, now adding however some alleged evidence of American aid in money and weapons to the rebels.

The Peking Ta Kung Pao of November 13 sums up the matter, in the tone of one assessing the lessons of an affair now closed, to the same effect. The Polish and Hungarian "incidents" (that sweet little word, it reminds us so much of the Japanese Militarists) "were alike in that they started with mass movements. At the outset the peoples of the two countries demanded strengthened democracy, independence and equality, as well as higher levels of material welfare for the people". We are interested to note that even in the Communist heaven, man does not live by bread alone, though he must have it too.

"The demands put forward were in order", the Ta Kung Pao adjudicates; but later the two movements took different courses". It closes by expressing great satisfaction that all is now well ended, "with the establishment of the revolutionary Kadar Government and vigorous support of the Soviet troops". "These two incidents have taught us a big lesson: we must know how to distinguish the legitimate demands of the broad masses from the conspiratorial activities of the minority. Facts have shown that it is very necessary to distinguish friends from foes and to impose determined and revolutionary dictatorship on the enemy".

But, more than a month later, all is far from settled in Hungary. And the "conspiracy" looks very much like being a very Open Conspiracy indeed—rather like a "broad movement of the masses of the people" in fact, on a scale and degree of determination that Russian cold steel cannot suppress.

Meanwhile, Communist China has modified its own basis of planning, for the Second Quinquennium of the Millenium, so as drastically to reduce the emphasis on industrialisation, and to consider (as far as is possible under a Communist system) the material welfare of the people, also to give them some small increase (as far as is possible in a Communist system) of liberty. It is a reasonable inference that a "broad movement of the masses of the people" for "justifiable demands" for "reforms" is not so far off from breaking to the surface, in the case of China also. We have, further, a hint that relations with the U.S.S.R., on China's side as well, may have been characterised by some "defects". Was it, in this case also, the programme of export deliveries which pressed on the living standards of the Chinese people?

At the same time, one of the Chinese leaders, one of the most personable and well-known in the field of foreign diplomacy, has been on a South Asian tour, where he has given out many conciliatory and interesting statements, very widely supporting the "Five Principles" approach in international affairs.

It seems evident that the Communist Bloc is weakening internally to a marked degree. The most extraordinary, often contradictory developments and occurrences are reported from the Great Within, everyday; psychologically, politically and organisationally, the interior situation of the Bloc is becoming rather chaotic. In its external relations, the course of contemporary history is making it increasingly clear that the world of Communism is full of "contradictions"—in comparison to which the much publicised "contradictions of capitalism" are pale indeed—but that the Communist Bloc ultimately depends, both internally and externally, on Power Politics of the crudest kind.

On that ground of Power Politics, it still has two roads to choose between: the path of blunt aggression and suppression by force, and that of "coexistence" and persuasion by

"moral" or other means. Russia is engaged for itself, at the moment, rather on the former road, and swinging back very substantially to the conditions and methods of Stalinism in its external affairs—while easing up in its internal conditions, on the more "libertarian" lines of the post-Stalin period. China is engaged for itself, at the moment, on the other path of "coexistence" in external relations. (One of these days, if we are not careful, someone is going to reintroduce the word "co-prosperity" in Asia). In internal political conditions, the system in China has up till now remained closer to the Stalinist model, with some cult of Individuals; but in economic and social connections, a modification would appear to be in sight in this respect.

So long as Russia is a strong ally, China will stand by her, in the final resort, in all respects; but the above-quoted reactions to recent events may well be interpreted to signify: first the very real and intense degree of unrest in the Communist world, extending imminently to China also; and second, that solidarity among the Communist nations is after all a relative and conditional conception, and Power is to them the absolute and final criterion.

Recent Developments of Transport in China

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Any country, be it capitalist or communist, must achieve a balanced economy and must aim at a balanced development. Capitalists claim that this is best attained by free enterprise, by the comparatively unrestricted interplay of the economic forces of supply, demand and price. Communists put their faith in deliberate planning and strict direct control.

In 1949 China joined the latter camp and proceeded consciously to plan development of the country, starting its first Five Year Plan in 1953. The Report on the First Five Year Plan shows that the planners have not been blind to these problems of balance in "the scale of capital construction, the ratio of investment between light and heavy industries, co-ordination between large, medium and small enterprises, geographical distribution of industry, the fixing of standards in capital construction and the guaranteeing of the quality of engineering work".¹

Geographical Distribution of Industry

During the past half century and more, industrial and commercial development in China has been mainly along the coast and has been concentrated heavily in such ports as Shanghai, Tientsin and Canton. This has been due largely to two factors: (1) the absence of good internal communications, with the exception of the Yangtse waterway up to Ichang and (2) the reliance largely on foreign capital which, being concerned mainly with international trade, tended naturally to be invested along the ocean periphery. In the first flush of the revolution of 1949 this distribution of industry came under heavy criticism and distribution in depth became the avowed objective. While this still remains the aim, maturer thought now gives this early peripheral development a more generous assessment. "During the Second Five-Year Plan period we must continue the construction of the industrial bases in Central China and Inner Mongolia with the iron and steel industry as their core; actively proceed with the construction of new industrial bases in South-west China, Northwest China and the area around Sanmen Gorge, with the iron and steel industry and large-type hydro-electric power stations as their core; carry on with the building of oil and non-ferrous metal industries in Sinkiang; and intensify geological work in Tibet in order to prepare the way for its industrial development. . . . We may say that the existing industrial bases in the areas near the coast are the starting point of the industrialization of our country."²

Clearly, if there is to be a new geographical distribution of industry, if there is to be a new development in depth as the planners have stated to be their aim, then considerable

emphasis must be placed on the development of communications. Lack of adequate transport, equally with unsettled conditions has been a basic reason for the meagre industrial development in the past.

This being the case, the Government is confronted with two problems. It has had first to decide what proportion of its energies it must devote to the development of communications and how much must go to all the other calls—capital goods of all kinds, consumer goods, education etc. Then it has had to decide on which mode or modes of transport it will concentrate. It has wisely, in the writer's opinion, plumped heavily in favour of transport development but this has not been an easy matter either for decision or fulfilment. "It is estimated that, in 1957, the target for freight mileage handled by all the major transport departments will possibly be overfulfilled. But, because the plan for technical reconstruction for certain existing lines and equipment has not been fulfilled, certain lines and transportation centres are at present overburdened and congested with traffic. Endeavours are being made to alter the situation."³

If there has been traffic congestion and failure in some respects to achieve the target, nevertheless the amount of rail building actually accomplished in the past five years gives ground for some pride. Between 1950 and 1955, 2,400 miles of new line have been laid; 750 miles of old line, destroyed or neglected during the Sino-Japanese war and the subsequent civil war, have been repaired and brought back into use and 680 miles of existing single line have been double tracked. This represents an increase of nearly 20% of the total mileage existing in 1950.⁴

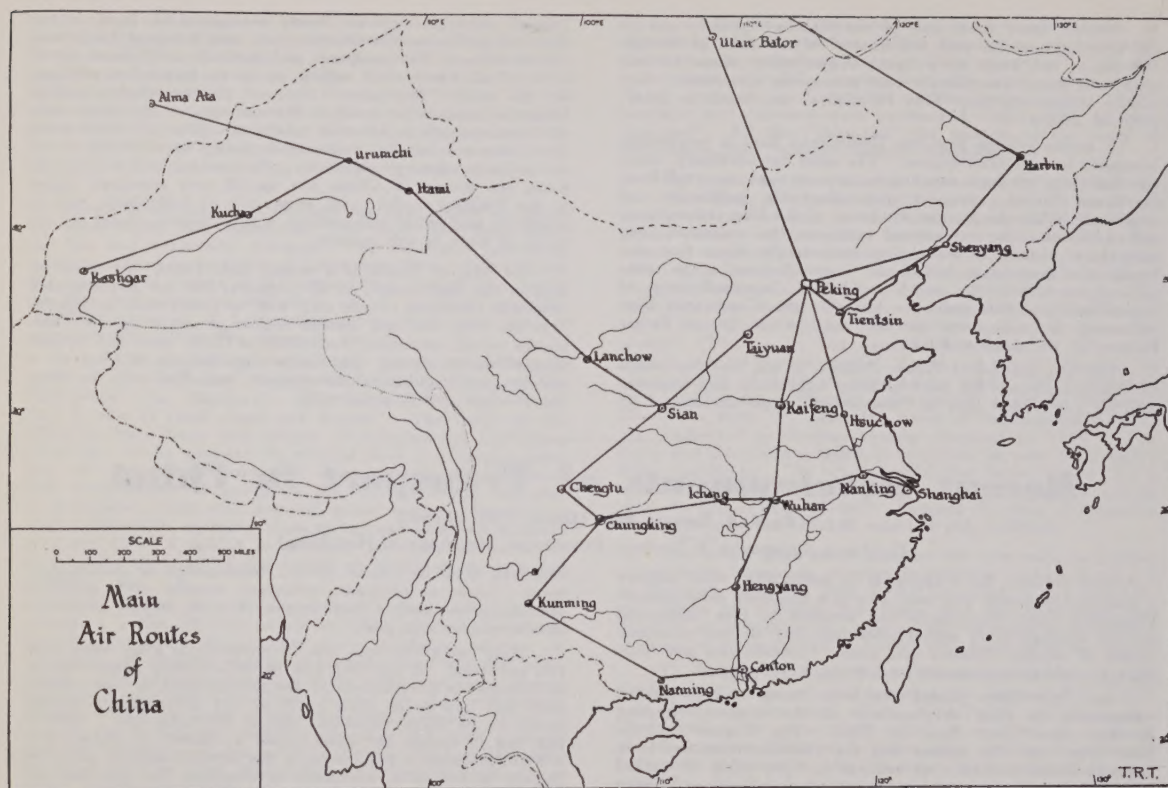
The mode of transport chosen for main development has, wisely, been the railway. This is not to say that other forms of communication have been ignored. Waterways, which for so many centuries have been so strongly used, are receiving attention under schemes of water conservancy, such as those for the Hwang Ho and the river Hwai. But it would seem that in such schemes emphasis is laid on control of flood waters and the generation of hydro-electric power rather than navigability.

1. Report on the First Five-Year Plan for Development of the National Economy of the People's Republic of China in 1953-57 by Li Fu-chun, p.42.

2. Report on the Proposals for the Second Five-Year Plan for Development of the National Economy by Chou En-lai p.13 Sept. 16th, 1956.

3. Op cit. Chou En-lai, p.4.

4. "People's China" May 16th, 1956. "Railway Building in New China".



Roads, too, are being built throughout the country but these would seem to be mainly a local or provincial enterprise. Apart from the two great motor roads to Lhasa from Lanchow and Chengtu respectively, no report has appeared of contemplated trunk roads. The purpose of these two roads will be purely political and administrative for a long time to come, unless mineral deposits are discovered en route.

Wherever the railways run, the function of the roads is the dispersal of goods and passengers from the railhead. Local passenger transport by bus is increasing very rapidly both in volume and efficiency. Road surfacing, too, shows marked improvement. However, this mode of transport is still in its infancy. China has still a very long way to go, both in respect of vehicles and road mileage before it can stand comparison with western standards.

Air transport, most flexible of all means, was developing rapidly after the Sino-Japanese war. It suffered a set-back at the time of the Communist victory, due to the loss of much of the aircraft. It is now again making headway. The whole service is under government control and is used largely for the furtherance of schemes remote from other forms of transport and for the rapid transportation of essential personnel and equipment from one place to another. There is little, if any, public (i.e. non-official) transport in this arm. All the main cities of China are linked by air. Sian has a service to Urumchi, thence to Alma Ata in Turkestan and to Kashgar in West Sinkiang.

Railway Construction

The most spectacular advance in development of communications, as has already been mentioned above, is in railway building. In concentrating in this direction, the authorities have been wise. In spite of all the modern develop-

ment of the internal combustion engine and the expansion of road and air traffic, the railway still remains the fastest, cheapest means of conveying bulk and heavy goods over long distances. And it is just this kind of service that China most needs as she carries out her successive Five-Year plans. It must be the chief handmaid of the newly developing industrial centres, of the as yet unexploited mineral resources of the western regions and of the vast but still uncoordinated agricultural regions. It is interesting to note just where railway building has been carried out — and also where it has not.

There has been little new building in the North East (Manchuria) where industrial activity is greatest. The reason is not far to seek for it is here, during the last fifty years, that Chinese, Russian and Japanese competition has been keenest and here that all three have poured capital most lavishly into railways. The result has been a railway network, which is adequate for present needs, having regard for the urgent claims of other regions. The only building in this area is the double tracking of some of the main lines.

Again, it will be noted that, whereas the North China Plain and the Wei River valley are crossed by an east-west railway, the rich region of Central China is devoid of any such line and is traversed from north to south only, by the Peking-Canton railway. The reason for this, of course, is to be found in the difference in navigability of the Hwang-ho and the Yangtse. The latter is a magnificent waterway for 1,000 miles from its mouth up to Ichang during at least nine months of the year. In the summer months, when the river is at its highest, vessels of more than 10,000 tons can reach Wuhan. The Hwang-ho, on the other hand, is virtually useless for navigation and will remain so until the vast measures of conservation planned, have been carried out. Thus, the need

for railway development in the Central Basin is not nearly as imperative and urgent as it has been further north. A through railway along the course of the lower Yangtse does not yet figure in the plans so far published.

The most spectacular and most important new building is the extension of the Linghai railway, which runs from Haichow, westward through Chengchow and Sian. In 1950 this line reached only as far as Tianshui. Since then it has been extended to Lanchow and has been pushed out most vigorously in western Kansu as far as Yumen, whence it is continuing to Urumchi and to the U.S.S.R. border, a distance of 1,750 miles. Here it will meet the Russian line, which is now under construction across Turkestan, and thus will constitute a direct connection with U.S.S.R.

This line will have both administrative and economic value. It will bring the provinces of Sinkiang and Dzungaria more intimately within the People's Republic. In times past, even when communications were brilliantly developed as in the Yuan dynasty, these outlying regions were never really an integral part of China. From an economic point of view it will be most valuable as it will connect with the newly discovered and most promising oilfields around Karamai in the Dzungarian basin, as well as others in the Tarim Basin and at Turfan. The oilfields of western Kansu are already served by this railway. The line will also provide an outlet for the agricultural produce and the raw materials, especially fruit and cotton, now coming from the newly developed irrigated areas in Sinkiang, around the edges of the Taklamakan desert—a development foreseen and advocated by Huntington more than fifty years ago.⁵

Another line of great interest is that being constructed between Peking and Irkutsk, across the Gobi desert, via Ulan Bator (Urga). The Chinese section of this railroad between Chining and Erhlien (210 miles) on the borders of the Mongolian People's Republic has already been built. When completed, this line will short circuit the long loop from Peking, via Shenyang, Harbin and Tsitsihar to Irkutsk and will save some 700 miles of travel in the journey to Moscow. Whilst this obviously will be attractive from the passenger's point of view, it will also not be without value on the commercial side since it will connect directly with one of the rapidly developing industrial areas of Siberian U.S.S.R.

A new railway, the construction of which captured the imagination of the Chinese public, is the one linking Chengtu and the Szechwan Basin with Paochi on the Wei River and so with the east-west Lunghai railway. It is 421 miles long. Szechwan is one of China's richest agricultural regions and its mineral resources are by no means negligible. Yet it has been one of the most inaccessible parts of China Proper. Due to its isolation it was the stronghold of the Nationalist Government during the Sino-Japanese war and remained invulnerable, except to Japanese air attack. Szechwan is bounded by high mountains on all sides: by the Tibetan Plateau in the west; by the mountain mass of Yunnan and Kweichow in the south; by the Tsinling in the north and by the Ta-pa Shan in the east. The Yangtse, as it passes from Szechwan to Ichang, Hupeh, cuts through the Ta-pa Shan in the famous Yangtse Gorges. Difficult and dangerous as these gorges are, they have, until now, provided virtually the only route from the populated east into Szechwan. Much of this dangerous water will be eliminated when the projected dam near Patung is constructed but not until this is achieved will the upper reaches of the river be really useful. Thus the new Paochi-Chengtu provides a very important outlet. It has attracted so much attention partly because of the engineering difficulties encountered in surmounting—and largely penetrating—the formidable northern slopes of the Tsinling. It is reported that about one third of the track on that stretch consists of tunnels. A new railway also links Chengtu with Chungking.

Two even more difficult lines leading out of Szechwan are now under construction. One of these will link Chengtu with Kunming, Yunnan. The other will run from Chungking, through Kweiyang and so to Liuchow, Kwangsi.

Two shorter lines in the extreme south link Litang on the south-west with Viet-nam, via Nanning and with the island of Hainan from the terminus at Chanchiang. Both of these lines were political in their initiation, the one carrying supplies to Viet-nam in the days of its civil war and the other, which was completed only in 1955 relieving Hainan of its remoteness. Both, too, have economic significance as they bring the tropical products of the south-west corner to the national market.

Another line, which is primarily military and strategic in purpose, is that which has just been completed and opened between Yingtan and Amoy. This, clearly, has been built to serve the needs of the forces facing the Nationalists in Taiwan. Nevertheless it conforms to what will probably be the pattern of railway development in this south-eastern region, as dictated by economic and geographic considerations. From Ningpo to Canton is a rugged, sunken coast, full of good natural harbours but backed by an equally rugged, deeply dissected hinterland, which is neither densely populated nor highly productive. It is improbable that there will be a coastal line linking Ningpo with the ports of Wenchow, Foochow, Amoy, Swatow and Canton until the many, far more urgent rail needs are met. More likely will be a series of lines, running inland from these ports, after the pattern of that of Amoy, linking with the main line from Shanghai to Nanchang.

Railways under construction

Two of these, leading out of Szechwan, have already been mentioned.

The two new areas scheduled for immediate and important industrial development are Paotow, on the great bend of the Hwang-ho and Wuhan, at the confluence of the Han with the Yangtse. Paotow stands on the rich coalfield of the Peking Grid and is already connected by rail with Chining and Peking. A line, which will link it with Lanchow and the Kansu oilfield, is now under construction.

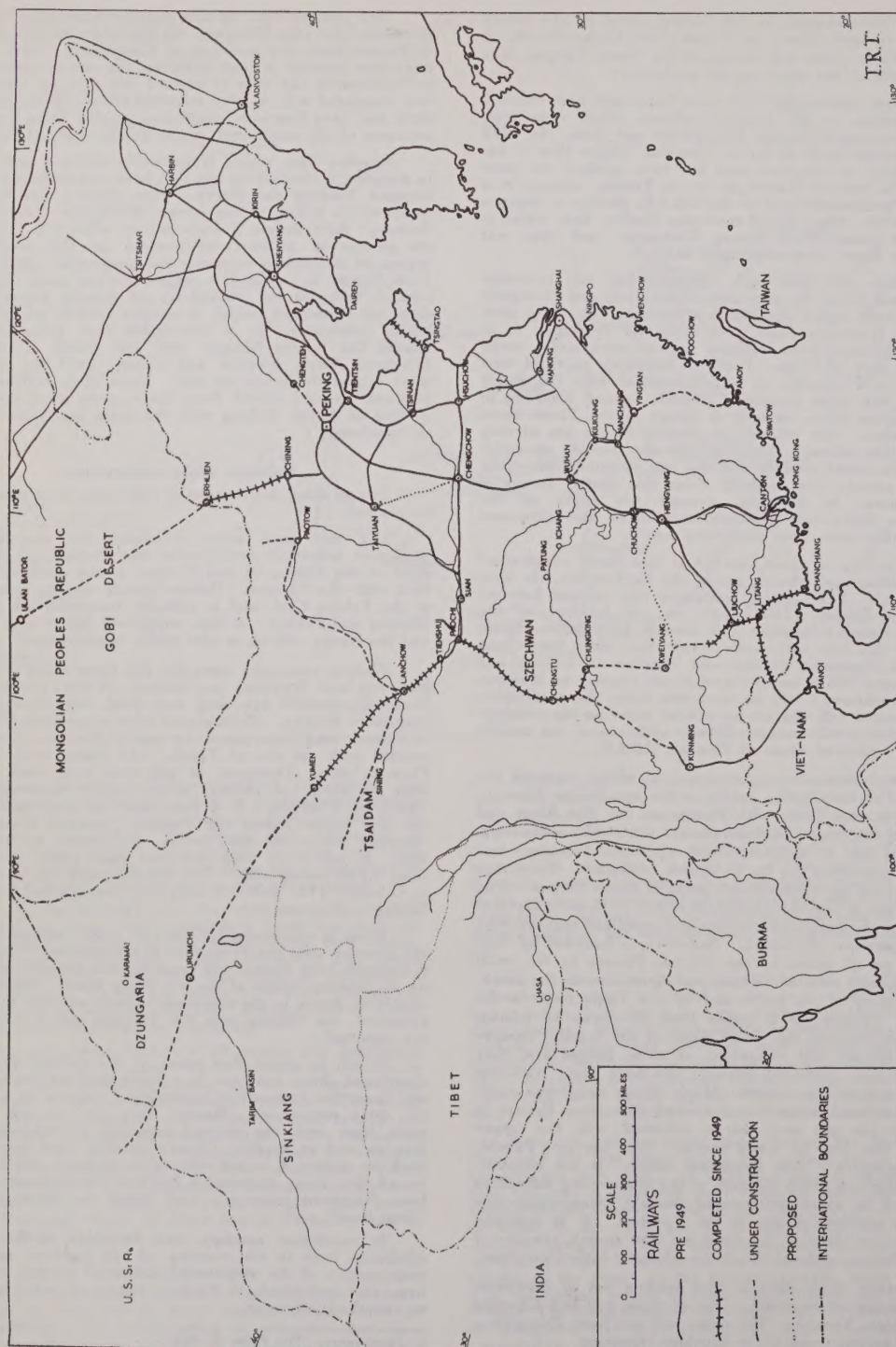
Wuhan, composite name for the three cities of Hankow, Hanyang and Wuchang has neither of the two main raw materials, needful for iron and steel manufacture, in its immediate vicinity. Coking coal must come from P'inghsiang in Hunan, long since joined by rail to Wuhan. Fine quality contact iron ore lies at Tayeh, 100 miles away near the Poyang Lake. Transport of this iron ore, until now, has been by water. A railway is now under construction from Tayeh to Wuchang. It is here that the great adventure of the first bridge across the Yangtse (between Wuchang and Hanyang where the steel works are sited) is well under way. It will carry both rail and road traffic and will be some 1,700 metres long. The railroad track will be completed in October, 1957 and will then give through rail traffic from Peking to Canton.

Work is continuing on the line from Taiyuan, Shansi to the junction over the Hwang-ho at Chengchow. This line, as it descends from Shansi, will cross the rich bituminous outcrops on the eastern slopes of the Tai Hang Shan. Attention, too, should be drawn to the projected railway which is to run from Lanchow, via Sinning into the Tsaidam where rich oilfields are reported.

It will be noted that much of the railway development mentioned above has been in a north-west direction, reaching out from the long-settled agricultural regions of China into the drier steppelands. Branch lines are run out from the main lines with the avowed intention of extending arable farming and so meeting China's growing food requirements. Such an extension is not without its dangers and it is to be hoped that those responsible for this development will learn from American experience and avoid the disasters of the "Dust Bowl".

In conclusion mention must be made of the increased efficiency, both in the running of rail services and of the maintenance of the way, which has been marked in the last five years and which, in the long run, is of equal importance to actual construction.

5. Huntington, "The Pulse of Asia".



Financing The Post-War Economic Growth of Hongkong

By Edward Szczepanik

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1. THE CAPITAL MARKET

A well organized capital market has been a distinctive feature of Hongkong for a very long time. The character of the Colony as a trading port necessitated the development of a credit system linking retailers with wholesalers, wholesalers with godowns, storage, docks and shipping companies. Connected with the functions of godown enterprises was the provision of mortgage credit against the goods stored. Finally, almost at every stage of trading operations, the inherent risks gave rise to a considerable insurance business, which in turn provided channels for financing public utilities, export-import houses and, more recently, industrial enterprises.

Most Hongkong firms, both commercial and industrial, started as modest ventures of single proprietors, gradually changed into a partnership or a private company. The public company form has never been very common in the Colony. Thus the original capital normally had to be provided from the founders' past personal savings, supplemented perhaps by a loan from friends or relatives. The expansion of the firm depended subsequently on the volume of profits ploughed back and on the credit provided by the banks, wholesalers, docks and godowns. The nature of this credit as well as the legal character of Hongkong's firms make any quantitative analysis of this part of the capital market almost impossible.

A more precise picture of the functioning of Hongkong's capital market can be obtained from the study of the stock exchange, i.e. the market for "old" issues of those enterprises which assumed the public company form. The present Stock Exchange in Hongkong had its beginning in the institution founded in 1891 under the name of the Hongkong Stock Exchange. In 1921 the Hongkong Sharebrokers' Association was founded by dealers who could not join the Exchange as members; until the outbreak of World War II the two institutions were functioning side by side. During the Japanese occupation the official market was closed. When it was re-opened (in March 1948) the Hongkong Stock Exchange and the Hongkong Sharebrokers' Association were already amalgamated (in 1947) into the Hongkong Stock Exchange. As there is no legal obligation to deal in shares through the Exchange, there is a great number of outside unregistered brokers in the market. They solicit business among small or new investors and sometimes act as runners for the members of the Exchange. Very often they are backed by the native banks. Although their business is of very wide scope, the total volume of their dealings is far less than that done through the Exchange.

The following statistics show the volume of business recorded in the Exchange in 1948-1955:

Year	1948	1949	1950	1951	1952	1953	1954	1955
HK \$ million	159	88	60	141	142	151	232	300

The number of securities quoted on the Exchange fluctuates between seventy and eighty titles, but dealings are confined mainly to about twenty securities. The market consists of the following main groups: (i) HK Government Loans; (ii) Banks; (iii) Insurances; (iv) Investment Companies; (v) Shippings; (vi) Docks, wharves, godowns etc.; (vii) Mining; (viii) Lands, hotels and buildings; (ix) Public utilities; (x) Industrials; (xi) Stores; (xii) Cottons; (xiii) Miscellaneous. Apart from local securities, shares of several Far Eastern rubber companies are also handled.

Although prices of shares are fundamentally determined by the yield, during the post-war period they have been influenced to a very great extent by the political events in the

Far East. Annual yield from local shares varied from 6% to 8% when the political situation was regarded as secure, and from 10% to 20% when rumours spread that the future of Hongkong is threatened. Thus the market acts as a political barometer for the Far East.

Before the establishment of the Hongkong Stock Exchange in 1948 there were no official records of transactions. It is known that immediately after the war the volume of transactions was greater than in the pre-war period, due to the rise in prices of shares and the addition of shares such as rubber etc. which before the war were transacted only in Shanghai. In 1946-1947 the market was improving further when the Shanghai financiers began to look for a foothold in Hongkong. The boom continued until November 1948 when, due to the advance of the Communists in China, prices of all shares began to fall very rapidly. By the end of 1949 some prices had fallen to 40% to 50% below the highest post-war level and yields rose, on the average, to about 11%. Political instability in China and the resulting flight towards liquidity maintained this depressionary tendency till May 1950, when prices reached the lowest post-war level and a large number of investors lost half of their capital invested in shares.

The outbreak of the Korean War completely swayed the tendency of the market (but not before August 1950, as the initial effect of the new war was further loss of confidence). The landing of U.N. forces in Korea reversed the downward trend and some share prices rose by 35%. New investors came into the market and idle money, piled up during the slump, was mobilized. The prospects of several companies were re-considered and utilities, in particular, attracted many buyers. At the beginning of 1951, however, another slump set in when the Chinese Communists entered the Korean War and the U.N. forces began to retreat. Prices of shares fell again and yields increased to 15%-18%. But in the second half of 1951 the situation improved when peace-talks began in Korea. Many investors returned to the market, and trade recession favoured the diversion of funds from commodity markets to share market.

A rising tendency in the market continued throughout 1952. It was in this year that investment in industrial shares became clearly accentuated. As the commodity market was unfavourable, gold speculation and estate investment were unattractive, and private mortgage credit found only narrow outlets, idle money began to look for income by investment in industrial shares. A similar tendency continued in 1953. Political settlement in Korea and world-wide relaxation of political tension pushed share-prices further up till August 1953, when a relative stability was reached with yields, in the last quarter of the year, at 10%-12% for industrials, 8%-9% for utilities and 6%-8% for real estates.

In 1954 the situation in the Hongkong share market improved further. Capital began to return to the market from unprofitable adventures abroad. This gave rise to a large demand for utilities as well as other shares so that average annual yields fell to 6%-7%. Fluctuations in the market, particularly a downward tendency in April-July, 1954 were mainly due to fighting in Indochina. Buying interest developed again in July when military operations ceased in Indochina. Good working results reported by the local companies strengthened the market further, and in August 1954 there was a general demand for utilities and industrials. In October, military developments in the Taiwan straits

This is the ninth article in the series of Mr. Szczepanik's Studies in the Economic Structure of Hongkong. Cf. this Review of October 28th, November 11th and December 16th 1954; July 17th, September 29th and December 29th 1955; July 5th and Nov. 22nd 1956.

1. Figures compiled from the Far Eastern Economic Review.

produced a temporary set-back, but towards the end of 1954 an increasing amount of overseas remittances entered the local share market looking for investment.

A minor boom prevailed in the market in January 1955 when local idle money and foreign capital flooded it and prices went up under speculative influences. In spite of another temporary setback caused by the evacuation of the Tachen Islands near Taiwan (February 1955), the boom continued so that in August 1955 most popular shares reached their peak prices. This tendency was stopped by the announcement of an increase in the rate of interest on overdrafts on August 3rd and by further credit restrictions imposed by leading banks of the Colony in November 1955. In spite of this, the volume of transactions on the Stock Exchange in 1955 reached the highest post-war peak, about HK\$300 million, i.e. almost double the 1948 level.

As was pointed out, the market formed by the Hongkong Stock Exchange is relatively small. Nevertheless its composition characterizes the direction of the flow of capital through this channel. A study of the daily quotations reveals that only a very limited number of industries availed themselves of the stock exchange channels. Shares listed on the Exchange include, among "Industrials" Cements, HK Ropes, and Metal Industries; and, among "Cottons", Ewos, Wing On Textiles, Textile Corporation, and Nanyang Mills. This supports the thesis that the bulk of capital financing the development of manufacturing industry in Hongkong came from private sources through direct investment channels. Contrasted with this, "Stores" and "Miscellaneous", i.e. companies representing mainly commercial interests,² occupy a much more prominent place on the Stock Exchange lists. On the other hand, none of the large export-import houses of the Colony, such as Jardine Matheson, Butterfield and Swire, J.D. Hutchison, Dodwell, etc. figure on the Stock Exchange list. All of them are private companies or partnerships. This shows that the traditions of private financing extended from the entrepôt trade to the field of manufacturing industry.

The Exchange enables dealings in the shares of the Colony's "Big Four" banks (Hongkong and Shanghai Banking Corporation; Chartered Bank of India, Australia and China; Mercantile Bank of India, and the Bank of East Asia) and of the three Hongkong insurance companies: Union Insurance, Lombard Insurance, and China Underwriters. Public capital absorbed by these insurance companies is, in turn, invested by them in local government loans, bonds, debentures, shares and house property. The following statistics illustrate the size of these investments:

Year	1947	1948	1949	1950	1951	1952	1953
	(HK \$ million, rounded figures)						
Union Insurance	101	110	128	141	146	155	187
Lombard Insurance	19	18	19	19	20	20	32
China Underwriters	1.7	1.7	1.7	2.0	2.3	2.9	4.4
Total	122	130	149	162	168	178	223

Steady increase in the value of investment of these companies is a good indication of the growing importance of this financing channel. Although only very scarce data as to the composition of these investments are available, it is reasonable to assume that at least part of this capital was invested in industry in the Colony.³ The importance of capital provided by the insurance companies could properly be appreciated if we added to the above list the Wing On Fire & Marine Insurance Co., Sincere Insurance and Investment Co., Far East Insurance Co., and Paofoong Insurance Co., i.e. other major local insurance companies. They are private companies, in the same way as most of the local finance and investment companies, whose shares are not quoted on the Stock Exchange but who contribute considerably to the provision of industrial and other capital in the Colony. In 1955/56 only three investment companies (Allied Investors, Yangtze Finance, and Hongkong & Far East Investment Co.) had their shares quoted on the Stock Exchange.

G. B. Endacott: The Currency Problem in Early Hongkong, Far Eastern Economic Review 19th and 26th April 1956; The Hongkong Mint and the Colony's Currency Problem, Far Eastern Economic Review 14th and 21st June 1956; and E. S. Kirby: Money, Banking and the Stock Exchange in Hongkong, Far Eastern Economic Review 15th December 1955.

Apart from insurance companies, investment in real property (land and buildings) and hotels is open through Stock Exchange channels by the possibility of buying the shares of Hongkong Realities, Hongkong Land Co., Chinese Estates, Humphrey, and Hongkong and Shanghai Hotels. Several shipping companies (East Asia Navigation Co., Wheelock Marden Group, Indochina Nav. Co., United Waterboats) as well as docks, wharves and godowns (such as Hongkong & Kowloon Wharves, Hongkong Docks, China Provident) are also offering opportunities for investment by the general public through the Stock Exchange. This played an important role in the development of Hongkong port, its facilities and shipping—the backbone of the Colony's economy.

It seems, however, that the most active part of the stock market in Hongkong was formed by dealings in local public utility companies: Hongkong Tramways, Peak Tramway, Star Ferry, Yaumati Ferry, China Light & Power Co., Hongkong Electric Co. and Hongkong Telephone Co. It was in this way that the capital market, formed by the Hongkong Stock Exchange, provided smooth channels to finance a great part of the Colony's infra-structure. However, even in the case of public utilities the reliance on traditional private finance sources was clearly marked, as such enterprises as the two motor bus companies and the gas company were not open to public investors.

2. THE SUPPLY OF MONEY

Absence of economic controls, so conspicuous in the field of foreign trade and fiscal policy, extend also to the monetary field in Hongkong. The present monetary system dates back to 1935 when the sterling-exchange standard was formally introduced and the official exchange rate HK\$1 = 1s 3d (or £1 = HK\$16) was established. The Hongkong Dollar is the direct descendant of the silver Mexican Dollar which was the first legal tender in the Colony. The present legal tender, one dollar notes, are issued by the Government. There is no central bank in the Colony but three private banks have the right of issuing banknotes under separate ordinances. In addition, the Government also issues coins and small subsidiary notes.

The bulk of banknotes (about 95%) is issued by the Hongkong and Shanghai Banking Corporation. Chartered Bank of India, Australia and China comes next, followed by the Mercantile Bank of India with only a very small issue. In 1946, the total supply of currency by these three banks was HK\$459 million. During the post-war reconstruction period this figure rose to \$675 million in 1947, \$783 million in 1948 and from this time onwards it remained at a remarkably stable level of about \$800 million. The supply of Government notes and coins was also very stable, at about \$40 million, bringing the total of cash supply to \$840-850 million. The following table illustrates the composition of the total supply of cash in Hongkong in 1950-1955.⁴

Year	Hongkong & Shanghai Banking Corporation	Chartered Bank of India, Australia and China	Mercantile Bank of India	Government		Total
				One Dollar Notes	Subsidiary Notes & Coins	
HK\$ million — rounded figures						
1950	753	45	3.9	40.9	10.9	854
1951	756	46	4.3	28.1	14.9	849
1952	756	38	4.1	23.5	17.6	840
1953	756	40	4.4	24.7	17.5	843
1954	756	44	4.3	25.0	17.4	846
1955	676	47	4.1	27.7	17.2	772

2. Such as Dairy Farm, Watson, Lane Crawford, Calbeck Macgregor, Sincere, China Emporium, Sun Co., Kwong Sang Hong, Wing On, China Entertainment, International Films etc.

3. Approximately 10% of this capital was invested in house property.

4. Statistics refer to 31st March of each year and are based on Supplement No. 4 to the Hongkong Government Gazette and Annual Reports of the Accountant General.

The only significant change during this six-year period was a slight contraction of the issue of banknotes by the Hongkong & Shanghai Banking Corporation in 1955 which should be regarded as a reflex of the world-wide attempts at credit contraction in 1955. With this exception, the rigidity of the currency supply during the period of industrial expansion was remarkable. This factor contributed greatly to the stability of the general level of prices in the Colony throughout the whole post-war period, as shown by the following statistics of the General Retail Price Index⁴:

1947	1948	1949	1950	1951	1952	1953	1954	1955
(Annual average: March 1947 = 100)								
94	93	140	109	115	120	121	118	115

A complete analysis of the role of monetary factors would require an examination of the supply of bank-money. In addition to the above mentioned three banks enjoying the right of issue, there are in Hongkong over 90 licensed banks, most of which belong to a clearing house association.⁵ In the absence of bank-deposit statistics, the only data which can throw some light on the supply of bank-money are the clearing house figures which were as follows:

1947	1948	1949	1950	1951	1952	1953	1954	1955
(HK dollar thousand million, rounded figures)								
6.6	8.3	11.0	14.4	18.0	14.3	12.4	13.4	14.0

It would be difficult to find in the above statistics an indication that a credit expansion was practiced by the Colony's licensed banks during the period under examination.

There is one, so far unexplored line of analysis which could provide us with additional information concerning the supply of bank-money during the Hongkong's industrial expansion. Besides the licensed banks, the Colony abounds in a great number of unlicensed "native" banks. They call themselves "Ngan Ho" (or "Chin Jon") and although they are not officially recognized as banks ("Ngan Hong"), they are normally members of the Chinese Gold and Silver Exchange society. Their chief source of income are remittances to China and speculation in gold and in foreign bank-notes. As a side-line, these banks undertake some lending.

The credit channels provided by native banks are, however, very narrow and fairly rigid, mainly confined to mortgage transactions within a small circle of relatives, close friends and associated firms. The general public has practically no access to these channels. Within the Chinese social structure, however, these banks perform a very important role. There are good reasons to believe that speculative profits made by these small "banks" helped to some extent in financing a number of small-scale industrial enterprises in Hongkong in the post-war period. Unfortunately, quantitative evaluation of this source of finance is impossible.

We may thus summarize this discussion by stating that the supply of cash in Hongkong during the period of post-war industrial expansion was fairly rigid. The Colony's licensed banks preserved their traditional "commercial" character without venturing to enter the field of industrial financing to any significant extent. Absence of any information prevents us from estimating the size of credit provided by native banks but it seems unlikely that their loans were considerable. There are, therefore, reasons to believe that rigidity of supply of cash and bank-money was an important element contributing towards internal price-stability. This, and the resulting stability of the value of HK dollar, produced a favourable "monetary climate" for the growth of new industrial enterprises.

The process of industrialization was thus financed mainly from amplified private capital sources and through traditional commercial credit channels: whereas institutional financing, facilitated by the Stock Exchange, enabled the flow of capital to expand the infra-structure of the economy, i.e. the port and public utilities so essential to its growth.

5. Cf. E. F. Szczepanik: *The Cost of Living in Hongkong*, Hongkong University Press, 1956, P. 19.

6. At the end of 1955 there were 91 licensed banks, of which 33 were authorized to deal in foreign exchange and 51 belonged to the Clearing House Association located at the Hongkong and Shanghai Banking Corporation.

Marxism and the Study of History

By Hugh Trevor-Roper

History, it seems, has become the modern Queen of Sciences. From the humble position to which Dr. Samuel Johnson relegated it as an arrangement of industriously collected facts, history has come, in this century, to be the most controversial, the most combustible of studies. Every political or ideological movement has its historical theory. There is orthodoxy, there are heresies. The greatest orthodoxy (in the eyes of believers), the greatest heresy (in the eyes of unbelievers) is the Marxist theory of history which now dominates historical thinking in Communist Europe and Asia and has many powerful advocates even in the West.

What is this Marxist theory of history? Why is it now so powerful? It is easier to take the second of these two questions first. For it is partly because there is a general demand for "philosophies of history" that Marxist historical philosophy has achieved such success. Marxism may compete with similar but rival philosophies on its own merits, but the public taste for such philosophies naturally preceded any particular or competing attempts to gratify it.

As the Soviet historians are busily rewriting history, revising their "lines of research" and bringing them in conformity with "Leninist principles", it becomes more than ever necessary to examine their ostensible basis—namely, the Marxist theory of historical materialism. Assuming that Soviet theoreticians are correct in maintaining that their tenets stem from the Marxist interpretation of history, what validity is there in the latter? Have Marx's views stood the test of time as well as the test of objective analysis? Or, assuming that the principles of Soviet historians are different from those guiding Marxist historians abroad, what is there in common between them that makes it possible for both to claim Marx as their spiritual authority? These are some of the questions to which Mr. Trevor-Roper's essay addresses itself.

Prof. Trevor-Roper is a distinguished British historian now teaching at Christ Church, Oxford University. He is the author of the famous *The Last Days of Hitler* (Macmillan, N.Y., 1947), and many historical studies and monographs.

Rise of the 'Prophet' Historians

One obvious reason for this change of taste is what may be called the drying-up of the classical stream of historiography. With the vast increase in the mere bulk of historical evidence caused by the opening of archives in the last century, a kind of hopelessness has overcome many conventional historians. For how, they ask, can one ever compete with the enormous weight of this ever-lengthening ever-deepening past? Their answer has been to draw in their horns. Always seeking finality, fearful of giving any answer which some new document might reverse, they have become narrow specialists, knowing more and more about less and less, and saying less and less about it. This timidity of the specialist in turn intimidates the layman. For when the experts are unable to master even minute periods of history, how can the layman, who lacks their training, hope to understand any historical problem? Besides, the answers of the expert seem to the layman not only uncertain but trivial. For if history is to interest the layman at all, it must be because it has some general significance. The professional historians, disputing about a cabinet crisis in a petty European court in the eighteenth century or the style of knitting in a medieval nunnery, answer no general question. Therefore the layman turns away from them and looks for someone who can range at ease over the ever extending centuries and find some general significance in the bewildering mass of historical detail.

This process has been taking place for some time, but it has been greatly accelerated in our own day by a new factor affecting our attitude toward history. That factor is the general air of crisis which—at least since 1945—has made itself felt in the West. In the nineteenth century there were a few historical prophets who rejected the comfortable optimism of their contemporaries and foresaw alternatives to endless progress; but they went unheeded. Now the complacency of the nineteenth century is irretrievably lost. We no longer feel that history is the history of progress, or that our civilization is unique. We do not

even feel that it is superior to other civilizations which have perished, nor exempt from their laws of mortality. And so we are now more ready to listen to prophets of woe or at least to prophets of change. Fearing that civilization is in crisis, we look to history not for detail or for diversion but for serious lessons: for precepts which must be drawn not from mere superficial incidents but from the deep roots of history, and from its whole range. We do not look in vain. Standing before us, larger than life, no longer neglected by their contemporaries, as were their predecessors, we see the modern prophets of History: Spengler, Toynbee, Marx.

The Marxian Prophecy as "Science"

Among these three, Marx is at present the most effective. Indeed, in one sense, Spengler and Toynbee are even his auxiliaries. For all three maintain that historical laws condemn the West to irremediable decline; but whereas Spengler and Toynbee say so in tones of gloom mitigated only by occasional sighing after a Messiah, Marx says so in tones of confidence. Toynbee, who had begun by thinking that Western Christendom might survive by returning to its original inspiration and plunging back into medieval Catholicism, has since 1945 despaired of even that desperate remedy and now preaches a non-European messianism. Marxism, by contrast, moves confidently on. Like the early Christians in the days of the pagan Roman Empire, the Marxists prophesy the collapse of contemporary civilization not in a defeatist but in an exultant spirit, as men who have a positive alternative to offer. Such confidence is compelling, and consequently a number of Western intellectuals whose will to survive is sapped by the prognoses of a Toynbee find themselves converted to the more positive doctrines of Marx; or, in less intellectual language, they leap on the bandwagon. And what a bandwagon it is! The physical conquest of new empires in Europe and Asia seems to those who are on the side of the "big battalions" proof that Marxist history may well be right. Has not the Marxist interpretation of the past been proved scientifically correct by the most exacting of all tests—success? Having in fact proved an accurate prophecy of the way we have already half-gone, does it not offer an accurate prophecy of the way we must go in the future?

Such are some of the reasons why Marxist history has won over converts. Though it is humanly understandable that these reasons be held, they are not thereby made intellectually valid. If the truth were necessarily on the side of big battalions, then Mohammedanism was "true" in the Dark Ages, Christianity in the sixteenth century. Nor is a mood of defeatism in the West, if indeed there is such a mood, evidence that Western civilization is on its way out. There was a similar mood of defeatism in the early seventeenth century, when men also lamented the impotent senility of the world and looked either for the Last Trump or a new Messiah. Philosophers at that time agreed that the world was running down, that Nature was in decay; Jew and Gentile alike calculated the imminent year of Armageddon. In fact this defeatism of seventeenth century Europe was but a passing crisis of conscience, as ours also may be. It is erroneous, in this writer's view, to judge the truth of theories either by the physical force of those who advance them or by the mood in which they are received. They should be judged by their inherent logic and their empirical validity when tested against the facts. Marxist history claims to be scientific: let it then be tested scientifically.

The Economic Interpretation of History

First of all, what is the Marxist philosophy of history? Its basic assumption is that human history is conditioned not by ideas or institutions or man-made laws but by the economic organization of society, which in turn is based on the mechanism of production and exchange of goods. Laws, ideas, institutions may preserve and protect society, but they do not determine its basic nature. Society is formed by the complex economic system of which contemporaries are often unaware but which historians can discover even if, in doing so, they often oversimplify it. Moreover, the economic systems which are the fountainhead of history are not static, but dynamic; and the motive power which animates them are the struggles between classes which, in any society, are divided from each other by their different relationship to the means of production.

Thus, say the Marxists, if we are to understand and use history, it cannot be solely the history of courts and cabinets and armies; nor is it even, as Gibbon called it, the register of the crimes, follies and misfortunes of mankind. It is rather the history of the class struggle of which all other developments commonly described as History are but the highly-colored epiphenomena, outward symptoms not inner causes, as the flush is of the fever. For this reason the layman who seeks the "meaning" of history and seeks to learn a lesson from it may now avoid much of the tedious detail with which the "professional historians" must perforce at times concern themselves. Under Marxist guidance, the

layman can go straight to the "relevant" part of history: the economic system and the social structure. Such is the first premise of Marxist history.

One may justifiably ask in what sense this conception of history is peculiarly "Marxist". The first objection to be raised against Marxist historians is that they falsely claim a monopoly over an historical approach which is in fact quite independent of both Marx and Marxism, which preceded Marx in time and whose modern exponents owe little, perhaps even nothing, to the ferocious systematization which Marx sought, a century ago, to impose upon it. The theory that political power is simply the reflection of economic power was advanced in the seventeenth century by the English theorist James Harrington, whose concept that "empire follows the balance of property" was declared at the time to be "a noble discovery, whereof the honor belongs solely to him . . ." The relationship between economic and political systems was further explored by the great Scottish thinkers of the eighteenth century—in particular David Hume and Adam Smith.

If the best modern historians are more interested in problems of comparative history, or economic change and growth, of social structure and social adjustment than in "straight" political history, that is not necessarily an indication that they have been influenced by Marx. Indeed, it is probable that they would still be pursuing these interests even if Marx had never lived. Their masters more probably are other thinkers—Tocqueville, Fustel de Coulanges, Burckhardt, Pirenne, Dopsch, Hamilton, Keynes, Marc Bloch, and many others who have contributed far more than Marx to the study of history as a science (though not, of course, as a dogma), but whom the Marxists now seek to drive out of memory except insofar as they can be turned into precursors or satellites of their master. The result is that much of the credit for the modern interest in social and economic history is arbitrarily claimed for Marx alone, and the work of far more important historical thinkers is described only as a "contribution to Marxist sociology".

Yet perhaps this strange perversion of intellectual history should not surprise us too much. After all, it is very similar to the action of Lenin in political matters. Lenin, the leader of a particular sect, violently seized control of a broad movement of social protest, and by his success as a revolutionary politician drove all "heretics" into subordination or the wilderness, after which he was able to claim for himself and his disciples the sole right to represent that much wider movement which had in fact existed before him as it did beside him and does after him. It seems to the author that what Lenin and his followers have done to the course of socialist politics is very similar to what the Marxists have done to the course of historical studies.

Something Old—Something New

Thus the first and most necessary step in considering Marxist historiography is to drive its exponents back within their proper limits and prevent them from usurping the credit due other and, in fact, quite independent schools of thought. What, then, are the characteristics which genuinely distinguish the Marxist historical method? The answer to this question was given best by Marx himself, in a letter of March 1852 to Joseph Weydemeyer:

As to myself, no credit is due to me for discovering the existence of classes in modern society, nor yet the struggle between them. Long before me bourgeois historians had described the historical development of this class struggle and bourgeois economists (had described) the economic anatomy of the classes. What I did was to prove: (1) that the existence of classes is only bound up with particular, historic phases in the development of production; (2) that the class struggle necessarily leads to the dictatorship of the proletariat; (3) that this dictatorship itself only constitutes the transition to the abolition of all classes and to a classless society.

This careful isolation of Marxism from those "bourgeois" social studies which are now so unscrupulously claimed as an inseparable part of the Marxist inheritance was again emphasized by Lenin when attacking "the miserable philistines and petty bourgeois democrats" like Kautsky, who are now claimed as Marxist thinkers. Lenin protested:

The theory of the class struggle was not created by Marx, but by the bourgeoisie before Marx and, generally speaking, it is acceptable to the bourgeoisie . . . A Marxist is one who extends the acceptance of the class struggle to the acceptance of the dictatorship of the proletariat. This is where the profound difference lies between a Marxist and an ordinary petty (and even big) bourgeois. This is the touchstone on which the real understanding and acceptance of Marxism should be tested.

These statements could hardly be clearer, and it is most important that they should be remembered, especially by those who think that one can study social history only under Marxist guidance, and that the best modern historians are what they are thanks to the influence of Marx. In fact, as these words of Marx and Lenin show, all that Marx claimed to have done was, in effect, to sweep up the ideas already advanced by other thinkers and annex them to a crude philosophical dogma. It is a strange irony that his followers should now claim, as the authentic property of their party, the general social ideas which Marx borrowed from his contemporaries (and for which he explicitly rejected any responsibility), while soft-peddalling the philosophical dogma which was his only original contribution and which, according to Lenin, was "the touchstone on which the real understanding and acceptance of Marxism should be accepted." However the reason for this volteface is clear enough. The social analysis which Marx merely borrowed and perverted remains, in its unperverted use, a valuable instrument for historical research; the theory which he invented, any by which he perverted that social analysis, has been disproved by every test to which it can be subjected.

The Premises of Marxist "Logic"

Let us look for a moment at this theory. According to Marx, human history falls into historic phases which are distinguished by different forms of social organization and which replace each other by a dialectical process, a process which modern Marxists admit to be "the very backbone of Marxism." The weakness of this theory as a general theory is—as M. Julien Benda once drily observed—that Marx gives only one instance of its ever having happened. This was, of course, the replacement of "feudalism" by "capitalism." On the strength of this one instance (which shall be considered further) Marx does not hesitate to prophesy that the necessary next stage in the same process is the replacement of "capitalism" by a new social form, *vis*: the classless society which will be achieved through the dictatorship of the proletariat. Thus the Marxist general theory of history can be said to rest on two mutually corroborative instances, one which has occurred in the past and one which presumably will occur in the future. The accuracy (so far) of Marxist prophecies about the future is said to prove the validity of the Marxist historical analysis of the past, which might otherwise seem rather abstract; and the profundity of this historical analysis is said to guarantee, in turn, the accuracy of the prophecy about the future, which might otherwise seem rather speculative. This interdependence is an interesting proposition but it is perhaps better not to accept it until the two instances have been tested separately.

First let us take the past. According to Marxist theory, the crucial period of the past is of course that during which capitalism replaced feudalism. But when was this period? It is easy to say (and one does not need to be a Marxist to do so) that in the sixteenth-century European society was still primarily an agrarian and aristocratic society which can be loosely described as "feudal." It is also easy to say that in the nineteenth century it was "capitalist." But it is not so simple to define when and how the decisive struggle between declining feudalism and ascending capitalism took place—if, indeed, there ever was such a struggle. English Marxists have decided that it took place during the English revolution of 1640-60, and it is therefore necessary to look briefly at their treatment of this period.

The ablest Marxist historian who has sought thus to interpret the Puritan Revolution is the Englishman Christopher Hill. In his book *The English Revolution*, Mr. Hill uses doctrines borrowed from the anti-Marxist Max Weber and the Fabian R. H. Tawney (whom he condescendingly describes as "not Marxist but very aware of the economic factor") in an attempt to demonstrate that the English Puritan Revolution was the effective showdown between the buoyant "capitalist" classes, represented by Oliver Cromwell, and the "decaying" relics of "feudalism" represented by Charles I. Mr. Hill concludes that the Revolution represented the triumph of capitalism over feudalism and he asserts that this conclusion

arises logically and necessarily from the evidence. His "evidence," however, includes the assumptions that the early seventeenth century was a period of economic advance for the "capitalist" bourgeoisie and gentry and that puritanism was in some respects a "capitalist" ideology, both assumptions which have been strongly challenged of late. Recent research has convinced many of the best historians that the early seventeenth century (at any rate after 1620) was a period of economic decline for the bourgeoisie, and that the equation of puritanism with capitalism simply will not do.

The Procrustean Approach

If these assumptions are rejected, it would seem that the Marxist version of the Revolution must also be rejected, as resting on false premises. But behold, a miracle! In 1954 another English Marxist, Mr. E. J. Hobsbawm, wrote a long article on "The General Crisis of the European Economy in the 17th Century," in which he accepted the change of premises and agreed with the arguments of modern French economic historians that production and commerce were in general decline in the early seventeenth century. The seventeenth century, Hobsbawm argued, was a period of general economic decline in Europe, and "even in countries which did not decline, there were secular business difficulties." Indeed, Hobsbawm goes so far as to associate even the messianic movement of the European Jews in the middle of the century with the decline of prices.

It would seem that such a complete reversal of Mr. Hill's premises would logically entail at least some adjustment of his conclusions. The English Revolution can hardly be painted as a victory for rising capitalism if capitalism is everywhere in decline. But not at all. Mr. Hobsbawm dogmatically tacks the old conclusion on to the new premises!

The economic history of the modern world from the middle of the 17th century hinges on that of England . . . the English Revolution, with all its far-reaching results is therefore (author's italics) in a real sense the most decisive product of the 17th century crisis.

Thus, using completely different evidence, Mr. Hobsbawm still finds a "logical" path to the same general "conclusion": in spite of the reversal of its basis, the English Revolution signified the triumph of the capitalist bourgeoisie. One is forced to assume that the "conclusion" was not really derived from the evidence at all, but preceded it.

Indeed, the more one looks at the methodology of Marxist historians, the more one is convinced that evidence is selected simply to buttress up immutable and unsubstantiated dogma. The one conclusion that must always be kept inviolate, however the evidence may change, is that there was a decisive struggle between "feudalism" and "capitalism." In reality, however, even Marxian historians cannot agree on what precisely are "feudalism" and "capitalism." According to Mr. Hill, the Dutch revolt against Spain is the classic example of a "bourgeois revolution" in which the Calvinist Dutch represent the "puritan capitalist" spirit. On the other hand, according to Mr. Hobsbawm the Dutch economy was not capitalist but "feudal." Similarly, Marxists have not yet been able to decide whether the economy of the medieval Italian cities was "capitalist" or "feudal," and it has now become a major industry among Marxists to discuss the real meaning of these terms. It is difficult to see how the existence of an historic struggle between "capitalism" and "feudalism" can be proved when these terms themselves have not yet been defined.

At this point one cannot help observing how sterile Marxist historiography must seem to anyone who is aware of the great advances being made by non-Marxist sociologists, upon whose work it has become so largely parasitic. To read, for example, the work of the disciples of Marc Block in France, or of Earl J. Hamilton in America, and then to see the Marxists subordinating all this provocative work to barren arguments about the meaning of arbitrary words like "feudalism" or "capitalism" is to turn from life to pedantry. Marxist historians are now like Byzantine theologians disputing the case of homoousia or homoiousia, or the inhabitants of Lilliput fighting as to which end of a boiled egg should be

broken. This is not to deny that there are Marxists who have written good history, but it is never as Marxists that they have done so. When they have made valuable contributions, it is only because they have detached themselves from distinctive Marxist precepts and written what Marx and Lenin would have called "bourgeois" social history.

Oracle in Error

Turning from history to prophecy, we find the same extraordinary indifference to the connection between evidence and conclusion. Whereas Marxists contend that by using their intellectual system they have correctly predicted the events of this century, a close look at at least four of the major events of the past 50 years reveals Marx's predictions to have been so grotesquely inaccurate that they perform must invalidate the intellectual system which set them forth.

First, Marx declared that within the capitalist system, capitalists would decrease in numbers and become richer while the proletariat would increase and become poorer. He thus envisaged a large, growing, undifferentiated proletariat faced by a small dwindling group of owner-plutocrats whom ultimately it would easily overthrow. In fact, the history of the last century has shown that the proletariat is not undifferentiated—far from uniting, the workers of the world are determined to establish and preserve "differentials" between themselves. And capitalism, far from privileging only a diminishing number of plutocrats, has in many countries brought about such a rise in the level of income and standard of living that the broad mass of workers has thoroughly accepted the system.

Secondly, Marx assumed that communism would be established first, and indeed could only be established, in fully industrialized countries. In fact, for the reasons just given, it is precisely the industrialized countries which have been most immune to communism, while the agrarian countries of Eastern Europe and Asia have fallen away to the movement. The industrialization of Russia did not precede the Communist revolution but followed it.

Thirdly, Marx totally failed to predict the phenomenon of fascism as at least a temporary alternative development to communism. In this he showed far less insight than the great Swiss historian Jacob Burckhardt, who as far back as the 1870's foresaw the rise of the "terrible simplifiers" of our day. When fascism appeared, the Marxists quickly brought their prophecies up to date, explaining the movement as merely the last convulsion of capitalism and therefore much too insignificant a detail for Marx to have mentioned. This explanation is no more satisfactory than Professor Toynbee's device of dismissing the World War of 1939-45, for which he

had not budgeted when he began his study of history, as a mere "secondary war." In any case, it seems outrageous to dismiss fascism, which has dominated a whole generation and nearly conquered the world, as an unimportant detail. In the writer's view, a systematic theory of history which has to be so radically adjusted to fit inconvenient facts is simply not worth its keep.

Finally, Marx insisted as an essential part of his theory that the dictatorship of the proletariat was simply a temporary phase leading to a classless society. No comment is needed on this "prophecy."

Faith by Force

In the face of these facts one may well wonder how it is possible for Marxists to maintain that their system illuminates either the past or the future. The answer seems to be by pure effrontery. Just as Soviet historians shamelessly rewrite the history of the Communist Party to eliminate inconvenient episodes or personalities, so Western Marxist historians incessantly rewrite history, changing the evidence in accordance with the fashion of the moment or with newly discovered and inescapable facts, but always maintaining that the old conclusions and predictions for the future are still valid. To perform this sleight of hand they need to confuse their readers. Hence the oracular ambiguity of much Marxist writing thanks to which Marx, like the priestess of Delphi, can generally be found in retrospect to have prophesied whatever has in fact occurred.

Hence also the complete absence of any great Marxist historians. For it is an extraordinary fact that in spite of a century of Marxism and a vast amount of Marxist historical writing in the field of social history, including dozens of regular periodicals, there has been no Marxist historian whose name can rank even with the minor masters of the subject. All they have produced is an army of dim scholiasts busily commenting on each other's scholia and loudly claiming to have inspired the work of other historians who have long ago left them behind in their barren, circuitous, resonant cave of Adullam. In the dim past of the nineteenth century, when the Marxist dogma was new and untested, it may have inspired some historical research, as new ideas often do even if they are in fact erroneous. For historical knowledge, like other knowledge, is advanced by theory and only disciplined by facts. But now we are in the mid-twentieth century. Soviet Russian communism is indeed a formidable world power. But it is not the Marxist dialectic which has brought it to that height. The relationship is the other way round. Disproved by all intellectual tests, the Marxist interpretation of history is sustained and irrationally justified by Soviet power alone.

The Aftermath of Destalinization

By Jane Degras and Walter Z. Laqueur

Even though it is not yet possible to discern the end results of the startling process of change unleashed in the Soviet Union by the Twentieth Party Congress of last February, enough has already transpired to suggest that the USSR may well be passing through a period of its history comparable, perhaps, in importance to the crucial months of 1917 which saw the death of Tsarism and the emergence of the Soviet state.

The two periods, while comparable in significance, are of course basically different. The upheaval of 1917 was a revolution from below; what has been happening in the Soviet Union since February 1956 is the introduction of certain important reforms decided and carried out from above, though it is likely that the drive against the so-called cult of the individual and the secret Khrushchev indictment of Stalin responded at least in part to pressures from below, however indirect.

Whatever its impulsion, there can be no doubt that the main characteristic of the recent period has been the effort of the Soviet leaders to keep the "reform movement" under control: to debunk Stalin, but not to write him off altogether; to discard the most odious features of Stalinist dictatorship while preserving much of its basic structure; to grant more freedom, but not too much of it. In this effort they have undoubtedly succeeded for the time being, for the situation is clearly under control. Whether the forces they have released—or were compelled to release—may not have far wider repercussions in the future is another question.

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The Cautious Approach On Stalin

From the beginning it has been evident that the Soviet leaders wished to avoid focusing too much attention on the denigration of Stalin. At the Twentieth Congress almost 90 percent of the speeches dealt not with Stalin or Stalinism but with current economic problems, and the same proportion was maintained in subsequent *Pravda* editorials. Khrushchev himself declared in his Congress report that in present conditions the economic side of Marxist doctrine is of greater relevance than any other aspect of Communist theorizing. It is tacitly assumed that the Stalin era is a thing of the past and will never return; and with so many immediate problems of greater importance to tackle, why waste time in historical retrospection?

In any case, Agitprop made a brave effort to prevent Soviet citizens from occupying their thoughts too much with Stalin's misdeeds. To this day the famous Khrushchev report has not been published in the Soviet Union despite the fact that it elicited feverish discussion in Communist parties everywhere else in the world. It can be taken for granted that many Soviet party members have been verbally informed of its contents in broad outline; but to the large majority of citizens the news was broken far more gently—and only part of it at that.

How gently and cautiously is apparent from the editorials published in *Kommunist*, the biweekly ideological organ of the CPSU. The No. 3 (1956) issue of the journal, which summarized the proceedings of the Twentieth Congress, ignored Stalin. There was, to be sure, some criticism of the "cult of the individual," but it was couched in highly abstract, academic terms and mentioned no names. Declared *Kommunist*:

[The cult] caused workers on the ideological front to lose faith in their power and ability to advance theory, and gave rise to the belief that the development and enrichment of Marxist-Leninist theory was the task of the select. The result was that the development of revolutionary theory, the role of our party's collective thought, and the role of brother parties were all ignored.

The subsequent issue (No. 4, 1956) took the logical next step. It introduced Stalin's name for the first time in this derogatory context:

These violations [of the norms of party life and the principles of party control] are directly linked with the personality cult, widespread in theory and practice but alien to the spirit of Marxism-Leninism: specifically, with the cult of J. V. Stalin.

In its next (No. 5) issue the journal went still further. During the latter period of Stalin's life, it specified, the cult assumed ugly forms and caused serious damage to the cause of communism. But this accusation was at once followed by a warning against unbridled attacks on Stalin. He was a "contradictory personality" all right, but he also had considerable merit as a "great Marxist" and as a staunch fighter for the general line of the party against Trotskyites, Bukharinists and other "deviationists."

So the public dethronement of Stalin went ahead gradually and cautiously: two steps forward, one step back. The No. 9 issue of *Kommunist*, which appeared early in July, published several hitherto undivulged documents of Lenin, including the famous "testament," which admittedly must make strange reading for a generation of young Soviet citizens brought up on Stalin's official biography.

In the meantime the Soviet leaders proceeded to effect various liberalizing reforms designed to underline and implement the move away from Stalinism. The Cominform was dissolved; the Presidium of the Supreme Soviet published decrees at high speed—reducing the length of work-days, providing for monthly advances to *kolkhozniks*, abolishing the ill-famed "special courts" of 1934, giving workers the right to change jobs on two weeks' notice without penalty, and so on.

Ferment And "Unhealthy Tendencies"

But despite these placatory measures and the official efforts to soften the impact of the anti-Stalin move on the public mind, the ideological ferment set in motion by the move, especially among the intelligentsia, assumed somewhat disturbing proportions. It appears that this came as something of a surprise to the Soviet leaders, who evidently had assumed that the present change, like so many previous changes, would not prove too difficult.

Behind this miscalculation lies the fact that the Soviet leaders, whatever their other merits, are not intellectuals strictly speaking; and, in addition, there has been no basic ideological discussion in the Soviet Union for many years. There have been debates whether to interpret a certain Stalin quotation one way or another, whether to sow maize or wheat in Siberia, and so on; but no political debate has taken place within the party, let alone the country at large, since 1927-28.

Still, the Soviet leaders' misjudgment is not easy to explain. One hardly need be an intellectual to be shocked by the revelation of Stalin's misdeeds—and there is reason to believe that the reactions produced among the *Komsomol*, for example, were considerable. But certainly the intelligentsia, more than any other section of the population, was directly affected by the revelations.

A few illustrations should suffice. The famous Kravtsov *Kurs* has served for almost 20 years as the basic textbook of instructions for all party members, comparable in its function only to the Bible in a more pious age. Now, suddenly, this work—providing guidance (and quotations) for all imaginable situations—was withdrawn, and a substitute cannot be expected for a year or more. The result is a considerable amount of ideological confusion.

Or take this even more revealing admission, which goes right down to the essence of Soviet ideology: Criticizing the books of certain Western authors (such as G. Wetter and Bochenki) on dialectical materialism, a Soviet writer in the party philosophical review *Voprosi Filosofii* argues that these works should be rejected because they are based not on real sources but "mainly on various popular philosophical publications issued in the Soviet Union in recent years." He then calmly asserts that the latter were erroneous, a statement tantamount to a disavowal of the whole philosophy of the Stalin era. It may be doubted that the author quite realized the implications of his argument, but that he advanced it indicates how the revelations of the Twentieth Congress have weakened the monolithic certainty of the Stalin era.

It can be taken for granted that the intention of the Soviet leaders is to replace the old orthodoxy by a new one, and indeed efforts are now being made in this direction. But this is more easily said than done, especially since the new orthodoxy has to be less crude than its Stalinist predecessor. In the meantime the party has found itself obliged to cope with a spate of unusually vocal criticisms, some not so easy to answer.

It was comparatively easy, for example, to denounce the Soviet economist, L. D. Yaroshenko, and some others who, "under the guise of condemning the cult of the individual," tried "to cast doubt on the correctness of the party's policy," and hence, by inference, on the party leadership. But what about those who criticized not the leaders but party principles? And there were apparently quite a few of them, especially among writers and artists. Soviet periodicals recently have made several references to "unhealthy tendencies among politically immature writers and artists," charging them specifically with adopting a conciliatory attitude toward Western ideas—the outcome of a misguided attempt to extend coexistence to the ideological plane. It has also been acknowledged that at a number of meetings intellectuals have pressed for greater freedom. Said *Literaturnaya Gazeta*:

It is surprising to find that there are people who have forgotten all about "partinost" in literature . . . side by side with light-minded demagogues there are others who speak with an alien voice: literature, they say, should not be the servant of politics.

This, of course, is unacceptable to the party leaders, and the demand for greater independence of thought and expression has been rejected.

Questions And Answers

Meanwhile the demand for a "profound Marxist explanation" of the Stalin era grew among the Communist parties abroad. (For all we know, it has also grown inside the Soviet Union, although the only public reference so far made there to the "so-called Khrushchev report" was contained in the abridged translation of the statement of the American Communist leader, Eugene Dennis [New York Daily Worker, June 18, 1956], published in *Pravda* on June 27).

Among the foreign Communist leaders, Italy's Palmiro Togliatti suggested that the bureaucratization of the party apparatus might have had something to do with the growth of Stalin's personal rule, and he bluntly asserted that "the Soviet model cannot and must not any longer be obligatory" for the world Communist movement. Others argue that it was all very well to explain Stalin's rule by the pressures of various external and internal dangers, but had not Stalin, they asked, deliberately exaggerated these dangers in order to strengthen his position? Was it enough merely to assert, without producing corroborative evidence, that Stalinism did not grow out of the conditions of Soviet society? Was it not possible to go on forever justifying dictatorship, just as Stalin had done, by reference to "enemies," internal and external?

The Soviet leaders obviously could not allow themselves to be drawn into a genuine discussion of the more searching questions. The subject was too dangerous ideologically, quite apart from the fact that it would have involved airing their own role in the Stalin era. But something had to be done, at least as a stopgap, to coordinate the theoretical line of the various Communist parties and to give party members in the Soviet Union itself some guidance. The result was the publication in *Pravda*, on July 2, of a resolution of the CPSU Central Committee, which had adopted it on June 30:

It is a long statement, opening with the remark that the decisions of the Twentieth Congress had caused confusion in imperialist quarters. This no doubt was intended to offset the admission that the party's own supporters were no less perplexed and far more embarrassed. The rest of the resolution, shorn of irrelevancies, has two main features: first, a denial that Stalin had as all-pervasive an influence as the Twentieth Congress revelations had apparently been taken to indicate; second, an explanation for the "cult of the individual" based on "objective historical conditions."

On the first point, the resolution maintained that, even with Stalin's worst excesses, the Soviet state remained what Lenin had made it. All that Stalin's errors and perversions of Marxism-Leninism had done was to slow down the pace of democratic development and hamper the growth of initiative. The three distinguishing characteristics of the Soviet system—social ownership of the means of production, the alliance of the industrial working class and peasantry, and the "friendship of peoples"—persisted unchanged; hence the cult of Stalin's personality was but an irrelevant excrescence. (The persistent use of the term "personality cult" as a synonym for a generation of tyranny and terror is itself indicative of the Soviet leaders' desire to play down the importance of the whole affair).

To a simple outside, of course, this reasoning might seem to confirm rather than negate the suspicion voiced abroad that the evils of Stalinism were inherent in the nature of Soviet society. For if twenty years of tyrannical misrule made no difference, if that misrule could go on so long without disturbance to the cardinal features of Soviet society (which is said to require no institutional changes), what guarantee does that society offer against a repetition of the same evils?

On this crucial point the resolution is explicit, if quite unconvincing. "It would be a gross mistake," it declared, "to look to the nature of the Soviet social system for the source of the cult." On the contrary, the attack on the cult and on Stalin "will lead to enormous positive results"; it "creates firm guarantees that in the future there can never again appear in our party or our country phenomena similar to the cult of the individual."

This is a rather obvious, if natural, begging of the question. Clearly the Soviet leaders cannot allow criticism and debate to strike too deep, for if the nature of the regime be opened to question, what would become of the present rulers' claim to legitimacy? Might it to lead to admission of the possibility of alternative parties and alternative rulers? Under no circumstances, therefore, can Stalin's heirs admit that it was only within a Communist totalitarian system that Stalin could have concentrated such power in his own hands.

Juggling With History

The Central Committee's analysis of the "objective historical conditions" in which this unhappy phenomenon occurred should be read in conjunction with the Khrushchev "secret speech," for this serves to bring out the confusion which the resolution deliberately sought to introduce. In the speech Stalin's degeneration was said to have begun in 1934. On the other hand, the CC resolution sought to explain the Stalin cult by the existence of "unimaginable difficulties and obstacles" which called for "iron discipline, tireless vigilance, and strictest centralization," all in "conditions of capitalist encirclement."

There is a clear discrepancy between these two statements, for, in fact, the middle thirties were a period—brief, it is true—of relaxation in the Soviet Union. The "class enemy," the kulaks, had been liquidated and the most brutal phase of forced collectivization and industrialization was over; the "most democratic constitution in the world" was being drafted; it had been officially announced in the spring of 1933 that the foundations of socialism had been laid; bread rationing was ended. Thus, internally, the "unimaginable difficulties and obstacles" had been surmounted before the Stalin cult, by Khrushchev's reckoning, began to raise its ugly head.

Externally, the Nazi threat was no longer minimized in 1934, but "capitalist encirclement" is hardly an accurate description of the period which saw the negotiation of mutual assistance pacts with France and Czechoslovakia, the restoration of relations with the United States, and the enthusiastic reception in Moscow of British Foreign Secretary Anthony Eden and other visiting statesmen from the West.

Nor can this curiously dated degeneration have taken Stalin's colleagues by surprise, for they had been warned twelve years earlier—and by Lenin himself. The resolution says lamely that in 1924, after Lenin's death, "it was recognized as expedient to leave Stalin in the post of Secretary General." Why this was decided in the face of Lenin's explicit advice that Stalin be removed is not answered. The resolution then jumps the whole 10 years between 1924 and the Seventeenth Party Congress of 1934 in one smooth phrase: "Later on, however, Stalin . . . came to believe in his own infallibility" and "found himself virtually beyond criticism." But nobody finds himself beyond criticism unless put there by the behavior of his colleagues. Willing or reluctant, they were accomplices—and beneficiaries—of the cult they now condemn.

In another bit of historical juggling, the resolution states: "There were certain periods, during the war for example, when unilateral acts by Stalin were sharply curbed and . . . members of the Central Committee . . . took over certain sectors of activity." It goes on:

After victory the negative consequences of the cult of the individual again made themselves strongly felt. But immediately after Stalin's death the Leninist core of the Central Committee set a resolute course against the cult of the individual and its grave consequences.

The questions raised in these passages are too numerous to deal with here. If Stalin's powers could be curbed in wartime, when unity and centralized command were imperative, why not before the war when the need was less? How was it, too, that he was allowed to resume unfettered power after the return of peace? What happened during the 6 years between the end of the war and Stalin's death? If victory had been insured by restricting Stalin's omnipotence, why was it restored to him, and by whom?

Non Mea Culpa

Nowhere does the resolution provide satisfactory answers, if any, to these embarrassing questions. But its authors were clearly at pains to exonerate the Central Committee—that is, themselves—of blame for their long complicity in Stalin's crimes. The resolution reiterates: "It cannot be said that there was no opposition to the negative developments which arose from the cult of the individual." The evident weakness of this assertion is understandable, for those who seriously opposed Stalin did not survive to be numbered among the present Soviet leaders.

The resolution implicitly admits the lack of real opposition by asking "why, then, these people [the Central Committee] did not take an open stand against Stalin and remove him from leadership?" Their failure to do so is explained by adducing four reasons:

First, the Soviet people trusted Stalin, and so long as the cult of the individual prevailed, they ascribed all successes in building socialism to him. This, quite apart from being untrue, is a circular argument: to explain a cult by its own existence does not take one very far.

Second, because of their trust in Stalin, the people would not have understood and supported any action against him. But who, then, filled the forced labour camps? And is it true that, after a generation of Marxist training, the Soviet people still were unable to distinguish between tyranny and leadership?

Third, opposition would have been dangerous in conditions of capitalist encirclement. But with the USSR flanked by the people's democracies on the west and Communist China on the east, where was "capitalist encirclement" in the last 5 years of Stalin's life?

Finally, the resolution pleads ignorance "until the exposure of the Beria gang"—an excuse so grotesque that it is difficult to deal with by any normal process of reasoning. Ignorance of what, and for how long? The most brutal and crushing wave of terror preceded Beria's appointment as chief of police. And what claim to rulership can be sustained by a group of men who plead ignorance of what was happening in their country over a period of twenty years?

The poverty and hollowness of these explanations are too obvious to require further analysis. But the reactions to them throughout the USSR, at least as reported in the Soviet press, were in the best Stalinist tradition. Meetings of factory workers "enthusiastically endorsed" the CC resolution, which met with "unanimous approval" and "ardent support." The fraternal parties also decided to accept it. The British Daily Worker, for example, described it as a profound and fully satisfactory analysis of the circumstances.

Anticlimax: The Supreme Soviet

Thus, order was restored in the Soviet house, and the altered party line is again in operation at home and abroad—at least for the time being. It is not surprising, then, that earlier expectations of new dramatic happenings at the July session of the Supreme Soviet in Moscow were unfulfilled.

The session lasted 5 days, and its proceedings gave little evidence of any marked democratization under the new line. It dutifully ratified all decrees passed by the Presidium since the last Supreme Soviet session in December 1955; acceded

to the request of the Karelo-Finnish Republic to be accepted as an Autonomous Republic within the RSFSR; issued an appeal to all countries on disarmament and banning nuclear weapons; endorsed an appeal made by the Japanese Parliament last February for a nuclear ban; and passed a new pensions bill (which admittedly brings some long overdue benefits to the Soviet nonagricultural population) into law.

As always, it is interesting to note what the Supreme Soviet did not do. There was little in its proceedings that reflected the events of the 6 months since it last met. Premier Bulganin did not report on his visit to Britain, although the 1955 Asian tour of the Soviet leaders had been reported at the December session; nor did Foreign Minister Shepilov report on his visit to Egypt and neighbouring countries. No deputy asked about the progress of the new penal code promised some years ago, or about the new wage structure said to be in preparation. At the December session Khrushchev had derided the idea that the Cominform had outlived its usefulness; yet, at the recent session, he made no attempt to justify the intervening reversal of this attitude.

In accord with the spirit of the times, the Soviet rulers are trying to give the Supreme Soviet the appearance of greater legislative authority, to lend some substance to its democratic facade by convening it more frequently and allowing occasional important announcements (such as Malenkov's resignation in March 1955) to be made from its platform. But the last session can hardly be regarded as demonstrating that it has become any less of a parody of a genuine legislative assembly, or as offering any real promise that it can achieve such status within the existing Soviet political framework.

The question remains, of course, whether that framework itself may not eventually change if the cautious program of reforms instituted under the aegis of destalinization continues. While the possibility cannot be ruled out, present evidence hardly supports an affirmative answer. The events of the past months demonstrate that Stalin's heirs are anxious to rid themselves of the shadow of Stalinism, but at the same time to retain most of its real substance. They are making piecemeal concessions toward greater freedom, but the process of liberalization is carefully controlled so as not to jeopardize the foundations of their dictatorial power.

The Soviet leaders quite evidently underestimated the far-reaching repercussions which the Twentieth Congress relations on Stalin would produce in the Communist world. At present they have succeeded in restoring a surface appearance of discipline and calm, but there are signs that beneath the surface ideological ferment continues. Stalin has been repudiated, but the end consequences of the act of repudiation for his successors are still incalculable.

Modernization of Asia

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When speaking of the modernization of Asia we naturally draw certain inferences, but what exactly should we understand by this popular phrase. But first, what is modernization and what properties do we attribute to this more or less vaguely used term.

Modernization is applied to all ideas, principles and movements constituting the historical development of Western Europe after the Renaissance and Reformation. And regardless of what might be the real substance of the ideas, principles and movements, in that it harbors a peculiar property which cannot be understood apart from the phenomenal development of Western Europe, the broad term modernization is identical with Westernization.

In this sense the "Modernization of Asia" is used interchangeably with the "Westernization of Asia," particularly in approaches where the main motive for study lies in detecting the elements of "Western influence" or the "Effect of Western Civilization" in Asia. The two terms are treated

alike and the degree of modernization is measured by the extent to which the basic principles of Western Europe can be traced in Asian society.

What then are Western principles? They can be represented by the words "rationalization" or "rationality", for it is unmistakably this principle that lies at the roots to every phase of the modernization of Western Europe, whether it be economic, political, social or cultural. But generally speaking, rationality is two-sided. Max Weber has termed these "wertrational" and "zweckrational."³ The former is rationality in terms of subjective ideals or values of action while the latter is rationality in terms of the results of action. Put in another way they are rationality in "Gesinnungsethik"

- (1) Schrieke, B. (ed.), *The Effect of Western Influence on Native Civilizations in the Malay Archipelago*. Batavia, 1929.
- (2) Wertheim, W.F., *Effect of Western Civilization on Indonesian Society*. Institute of Pacific Relations N.Y. 1950.
- (3) Weber, Max. *Wirtschaft und Gesellschaft*. 3 Aufl., 1947. S. 12.

and in "Erfolgsethik," respectively. The guiding principle of Western Europe has been none other than "zweckrational" which concerns only the efficiency or adequacy of the means to a certain end. Hence to all action which is a system of ends and means, their end is always given and is not raised for questioning. But it does not mean that "wertrational" has been entirely ignored. Regardless of the problem which might be one of "wertrational", Western way of life has approached it from the dimension of "zweckrational". In other words, "zweckrational" is all embracing. While it is "zweckrational" it is also "wertrational." This meaning might be explained by the claim of modern man that his philosophy is science or that science is truly the philosophy of modern man. That modern man can claim this, indicates his way of thinking which is analogous to the manner in which rationality is approached in Western society.

Thus if modernization is rationalization and it in turn is "zweckrational" which is concerned with the results of action or the effectiveness of the means, then the natural conclusion leads to "economic rationality" as the surest expression of "zweckrational." Hence, economic rationality has been raised to the highest position in Western society. Not only is it the guiding principle of economic life, but it is also the determining principle for other human functions, political, social and cultural. In this "economic age", the principle of "economic rationality" is no longer limited to the economic side of life. It has become the basic principle of life itself. And as a means to develop economic rationality, modern capitalism has seen the formation of a huge system of productive power-methods of production, organization of enterprises and mechanism of management. Modern capitalism as "die höchste Schicksalskraft des modernen Lebens" (Max Weber) had constructed a rational organization out of every aspect of life such as had been entirely unthinkable in the Middle Ages. And through the rational organization of its own creation, modern capitalism had let go its massive powers of production and rapidly improved the living and cultural standards of the people. If the modernization of Asia is to eventually raise these standards for the people of Asia too, does it imply that their modernization must be accompanied with capitalistic rationalism?

The essence of capitalistic rationalism lies deeper than the organization and techniques which it elaborately displays. Its true significance is embedded in the spirit. Hence Max Weber had placed emphasis on the ethical aspect of Western capitalism and had tried to identify the spirit of capitalism through the religious ethics of Protestantism.⁴ If the modernization of Asia were to take place along the lines of capitalistic rationalism, and were it to succeed in transplanting the organization and techniques of capitalism, it is still a question of whether it would be accompanied with the spirit of capitalism. Basically, capitalistic rationalization is a revolution of double character. While it is an industrial revolution it is also a spiritual revolution. Or, more clearly, the spiritual revolution had been the forerunner of the industrial revolution. However, in reverse to the process of Western Europe, the modernization of Asia today is undergoing an industrial revolution ahead of the spiritual revolution. Can an industrial revolution which is not based on a spiritual revolution take place? If so, then on what basis and under what conditions and in what pattern can the modernization of Asia be accomplished?

But before proceeding with this difficult question, we must remember again that the modernization of Asia is being started against a background entirely different from Europe in both nature and structure of society. The modernization of Western Europe came about as a self-provoked, natural and spontaneous process of evolution of a homogeneous society. The modernization of Asia is without these advantages. It is not the growth of an inherent germ brought to ripen by forces of natural environment. In contrast, the modernization of Asia is the outcome of external forces brought on through friction, action and reaction of the constant contact of two conflicting societies. The invasion of external forces and destruction of indigenous elements are the producers of the phenomena of modernization. Hence the invasion of either a capitalistic or specialistic system is the introduction of a foreign element into Asian native society. Asia lives in a dimension different from Europe in the sense

that her modernization is being provoked through external impact by the force of external pressure.

If we recognize such dimensional differences existing between the two societies, then the next question that naturally follows is whether the historical encounter of East and West will not open up possibilities for the creation of an entirely new culture for Asia which will neither be a one-sided annihilation of indigenous elements by external force nor the narrow-minded rejection of the foreign by the native elements. If so, we may conceive here a new pattern of modernization arising out of the combination of the two which we can call a "synthesis of culture".⁵

But the creation of such new possibility presupposes a minimum requirement. We must assume that without any ill effects to economic growth, capitalism can be transplanted to Asian soil lacking the mental preparedness of Protestantism, which provided no doubt, as Max Weber pointed out, the essential religious ethics for the mental background of "Western capitalism". Capitalistic rationalism must be able at least potentially—to vindicate itself against a heterogeneous background of mental attitudes produced from such religions as Buddhism, Hinduism or Mohammedanism. If this assumption holds good then most probably a new pattern of modernization which we can call "Asiatic capitalism" can be forged. It would not be a mere Asian version of Western capitalism but would be the molding of a particular and independent pattern of culture.

The pattern of modern Japan and modern Turkey are often given as a challenge for the formation of new patterns, but their modernization cannot be claimed as a harmonious balance of Western science and institutions with the Eastern ideal and spirit. Both Japan and Turkey have failed in the creation of a newly synthesized pattern distinguished with their peculiar features. Their mental environment has appeared only as superficial imitations of Westernization. As long as the modernization of Asia stops at a mere Westernization, it fails to hold any significance to a new modernization of the 20th century.

This line of thought drives our attention beyond the realms of modernization in the sense we have so far referred to and brings us to confront a task which is to bring all the forces of Asian society to a new plane of "new modernization".⁶ But the difficulty of finding even as much as a clue to attaining this new plane should not be surprising. The task of "newly modernizing" Asia requires an ambition more strenuous than a faithful retracing of the path set by Western Europe. It will only be after a true perspective of the object is gained and a conscious pursuit is made that the search will be deserving of any universal significance.

Formation of a Modern State: State and Religion

It is beyond our scope of preparedness to deal with the difficult question of what assumptions and conditions and in what patterns the modernization of Asia should take place for the meaning we have just mentioned. This article will by necessity be reduced to pointing out the problems met by the task of modernizing Asia from the standpoint of Westernization.

When the various questions of modernization are boiled down, they come out under three main headings: politics, economy and culture. Hence the questions are, what possibilities are there and on what basis will a modern state, modern economy and modern spirit be established in Asia. More simply, what relationship exists between the state, economy and religion in Asia?

The separation of politics from religion or the definite cleft between the state and church was for Europe among other things the most important condition to the erection of a modern state. In effect, the independent secular state was born from the ruins of a universally integrated order of the

(4) Weber, Max, *Die protestantische Ethik und der Geist des Kapitalismus*. Gesammelte Aufsätze der Religionssoziologie, I, 1922, S.1-206.

(5) De Kat Angelino, A. D. A., "Synthesis of Culture" as meant by Angelino is not free from the obsession of the leadership of Western European culture, in the *Colonial Policy*, Vol. 1, Chapt. V, The Hague 1931, pp. 166-218.

(6) Uehara, Senroku, "Structure of World History and Asia Today," in the *Asiatic Year Book* (Asian Year Book. Political and Economic) Tokyo, 1956, pp. 3-8.

Roman Empire and Christian community. It was only upon the destruction of this mighty order that the modern state of Western Europe was able to establish itself as an autonomous "rational state" (*der rationale Staat*) free from religious authority.

The possibility of establishing a modern state in Asia inevitably rests upon the ability of politics to free itself from the dominance of religion. The modern state must demand from its members a state of mind which gives them a strong sense of social existence in a closed community and a feeling of affiliation, devotion and utmost loyalty to the state over and above their feeling to other communities or institutions. This state of mind which is patriotism supplies the very foundations for nationalism. For the nationalism of Western Europe, patriotism was a spontaneous product of historical and social environments. For Asian nationalism, patriotism is a state of mind yet to be created.

The problem is the creation of an authority powered with the ability to unite and govern the minds of the people and which will become the symbol of the unity of the people. Modern nationalism of Western Europe was not hesitant to trust in a non-religious and non-personal state. But for the peoples of Asia in their process of modernization, loyalty to the state as an abstract political institution is not always evident nor spontaneous. For them, authority as the symbol of social and national unity is better understood in terms of something religious or traditional, or charismatic in association with a political genius or an outstanding leader. Hence a mental gap exists in the minds of the Asian between authority and the abstract state. We see, therefore, that the formation of a modern state depends largely on how well this gap can be closed.

This gap is both understood and felt keenly by the Moslems who are faced with the immediate problem of constructing a state which will either be a modern state or religious state, a secular state or theocratic state, or a harmony of the two. Islamism is more strongly inclined toward politics than any other religion in Asia, and at the same time it demands absolute devotion to god (Allah). No doubt the Moslems of Asia are anxious to see the establishment of an Islamic state.

The separation of Pakistan from Hindu India was due to more than communalism, for their eagerness to build an independent state of Moslems was only a part of the story. Their real aim was the establishment of a "democratic state based upon Islamic principles" as attested to by the declaration of the Islamic Republic by the former Constituent Assembly of Pakistan on November 2, 1953 and also by the new Constituent Assembly on February 29, 1956. But their concept of a Islamic state needs some clarification. "As the late Liaquat Ali Khan said that although Pakistan was to be governed according to Islamic principles and under authority derived from God, it would not be a theocratic state in the sense in which those words are usually understood. Such an idea is absolutely foreign to Islam. The state would not play the part of neutral observer but must actively promote condition favorable to the building up of Islamic society."⁷ While Pakistan is definitely not patterned after a theocratic state, she is also not entirely a modern secular state.

For instance, under the new Constitution, the President (head of the state) must be a Muslim not less than forty years of age. (Art. 32). Also, Article 198 states that "no law shall be enacted which is repugnant to the Injunctions of Islam as laid down in the Holy Quran and Sunnah, hereinafter referred to as Injunctions of Islam, and existing law shall be brought into conformity with such Injunctions". If all laws of state are to conform with the Quran and Sunnah, various disputes and discords in the interpretation of the doctrines will surely arise between modernists and orthodox mullahs (the religious leaders);⁸ but at any rate Pakistan is apparently striving to set a new prototype for an Islamic state which is built upon a different approach from the Turkish precedent. "The momentum of Turkey is Western; the momentum of Pakistan is Islamic" . . . "Turkey becomes in terms of the definition we gave in the beginning, not an Islamic state but merely a Muslim state. It is not a state built on Islamic principles, but at the most a Western-type state . . .".⁹

The Republic of Indonesia also with a Muslim community is faced with the same problem. The choice between an Islamic State (Pantja Sila State)¹⁰ aimed at by President Soekarno and other leaders surrounding him is a serious question before the newly-elected members of the Constituent Assembly. The Republic will likely choose the latter pattern.¹¹ Yet how should we interpret the inclusion of "Belief in God" as one of the Five Basic Principles (Pantja-Sila) along with the other principles of nationalism, internationalism, democracy and social justice? Pantja-Sila will probably be written into the preamble of a new constitution in the making. But we are keenly interested in how the principles will be amplified in the articles of the constitution. The comparison between the new Constitution of Pakistan and the forthcoming one for Indonesia and the analysis of their position in regard to the separation and integration of the modern state and the religious state will surely give some clues to the vital question of the new modernization of Asian countries.

The other vital question closely connected with the formation of modern states in Asia is the possibility of developing modern democracy in Asia. The makings of a real modern state both in form and substance is not only in the attainment of political independence and integrity, but in the establishment of democratic freedom within its own framework. Institutionally, democratic freedom is in essence the establishment of parliamentary democracy or representative government.¹² The Western institutions and ideas such as the constitution, government, parliament, political party and election have been introduced to Asian countries, but how have they adapted to the political, social and economic systems of traditional character and to the religious and cultural heritages of Asia? Although parliamentary democracy has followed a typical course of development in a homogeneous European society, how it will function in the heterogeneous and segregated societies of Asia is a question still unanswered. We are, however, aware of numerous obstacles to the development of democracy in Asia such as: communalism, provincialism, racialism and minority problems which stem from the complexity in race, language, religion, caste and plural societies as well as the lowness of living standards and of literacy. We expect these obstacles to be eliminated gradually in the course of events. Still the gap between the final goal and the existing conditions will be unexpectedly large inasmuch as democracy is brought into Asia as a "forced revolution from above" instead of a spontaneous "revolution from below" as was the case in Western Europe.

Yet the modernization of Asia need not be the Westernization of Asia, nor its democracy a faithful replica of Western democracy. We cannot conclude that Asia will not develop a new and unique concept of freedom, equality, tolerance and justice and new democratic institutions to enforce them. A modern system of democracy according to Western standards is of course not immediately expected of the traditional village democracy or of the Islamic democracy. But at the same time there is a decided flaw in attempting to comprehend democracy only in terms of Western democracy which is now standing at a critical point. All we can do at this moment is to keep close watch over the process of how the indigenous and traditional institutions and ideas of Asia will come into contact, clash or coexist, and be integrated with the imported democratic institutions or principles of Western Europe, and how such integration will enable the creation of a new culture for Asia.

Formation of a Modern Economy: Problems of Economic Ethics

Our next question is what the possibilities are for the making of a modern economy, what the conditions will be, and the pattern for the modernization of Asian economy.

- (7) Bailey, S. D., *Parliamentary Government in Southern Asia*, London 1953, p. 45.
- (8) Innes, F. M., "The Political Outlook in Pakistan", in the *Pacific Affairs*, Dec. 1953, pp. 304-306.
- (9) Kamal, A., *Furuki, Islamic Constitution*, Karachi 1952, p. 27-29.
- (10) President Soekarno, Pantja-Sila, "The Basic Philosophy of the Indonesian State," in the *Indonesian Review*, Jan. 1951.
- (11) Van der Kroef, Justus M., "Conflicts of Religious Policy in Indonesia," in the *Far Eastern Survey*, Sept. 1953, pp. 121-125.
- (12) Emerson, R., *Representative Government in Southeast Asia*, Cambridge 1955.

In Europe, a modern economy has been established by the organization, technique and spirit of rational capitalism (der rationale Kapitalismus). According to Max Weber, what gave birth to capitalism were not only such organization and technique as "rational continuity of enterprise, rational bookkeeping, rational technique and rational law," but "rational spirit, rationalized way of living and rational economic ethics".¹³

Max Weber first paid special attention to human mentality dominating modern economy in Europe and then sought the religious source of rational mentality in Protestant asceticism. "Asceticism signifies a well regulated and well disciplined way of life." The integration of this concept of Asceticism (Askese) with the concept of vocation (Beruf) of the Calvinists became the grounds to justify a rationalized way of living which appeared as a positive devotion. Their daily devotion to work was enhanced to a sacred vocation and to one which guaranteed salvation. Thus the stoic concept of vocation became the strength toward rationalizing modes of living or of economic conduct. It was responsible for the emergence of the modern entrepreneurs and workers devoted stoically to work in expectation of eternal benediction.¹⁴

This is not the place to elaborate on Max Weber's contention. What we should bear in mind is simply that the active subject behind the creation of a modern economy in Western Europe had been modern rational homo oeconomicus, and that the essence of homo oeconomicus was the economic rational mentality purified by religious ethics. But how should we understand this mental aspect as pointed out by Weber when taking up the problems of modernizing the economy of Asia?

Economic backwardness or stagnation in Asia is often ascribed to the backward economic mentality of the Asian people, such as their limited wants or lack of profit motives.¹⁵ Such contentions are prejudiced if they are not limited to primitive peoples but are applied likewise to the peoples of Asia today. Unlimited wants or reckless profit motive alone do not make a modern homo oeconomicus. A homo oeconomicus is born when such mentality is combined with a controlled and calculated rational spirit. A pariah-capitalism (Pariakapitalismus), motivated by unchecked profit-seeking is by no means rational capitalism.

According to Max Weber's approach, the greatest obstacle to the growth of rational mentality or modern economic man in Asia can be traced to traditionalism. Traditionalism as an obstacle means a state of mind which regards traditions as inviolable sacred patterns of behavior and compels faithful adherence to such set conducts and economic behavior inherited from their ancestors.¹⁶ When primitive traditionalism is combined with religion and superstition it works as a strong controlling force which becomes as Max Weber terms it "the fixation of a pattern of human

conduct." The people try to avoid any changes in accustomed ways of living for fear that some superstitious curse will fall upon them through any change. The superstitious rice rituals are partly responsible for the stagnant level of rice production in Asia.

The religious and ethical source of traditionalism in Asia has been elaborated upon by Max Weber. The structure of the village community in Asia as the basis of traditionalism has been analyzed by J. H. Boeke and H. S. Maine.¹⁷ In effect, traditionalism in Asia seems far too dominant to be up-rooted. Hence there is still a long way to go before rationalism in the sense defined by Max Weber can be established in Asia. But how can this chronic traditionalism be broken to make way for the modernization of Asian economy? For instance, is there any possibility that the absorption of Western rationality, innovation of Asian religions and the destruction of traditionalism can create a rational economic spirit which will be peculiarly Asian? Although Weber denies any such possibility, we cannot be sure that all possibilities have been disproved. How should we evaluate the role of the modern religious movements (Brahma Samaj, Arya Samaj and Ramakrishna Mission), begun from the beginning of the 19th century, to the modernization of India?¹⁸ What significance should be given to the Mohammadiah movements in Indonesia?

At any rate, the consciousness toward modernization is of far greater importance to the modernization of Asian economy than the importation of physical organization and technique. Unless these physical imports are supported by rational economic consciousness, success in modern capital formation or productive labour is inconceivable. We cannot repeat too often that the formation of a modern economic society in Asia is being undertaken not as a spontaneous revolution of maturing, modernization-conscious citizens, but as a deliberate revolution with state leadership in the role of entrepreneur. The course of the modernization of Asia will as a basic condition entail the numerous and variegated.

(13) Weber, Max., *Wirtschaftsgeschichte*. 2 Aufl. München u. Leipzig 1924, S. 302.

(14) Weber, Max., op. cit. S 313.

(15) Boeke's theory of dual economy and Higgins appraisal begin from this understanding.

Boeke J. H., *Economics and Economic Policy of Dual Societies*. N. Y. 1953, P. 10; Higgins, Benjamin, The "Dualistic Theory of Underdeveloped Areas" in *Ekonomi dan Keuangan Indonesia*. Februari 1955, pp. 59-60.

(16) Weber, Max., *Wirtschaftsgeschichte*, S. 302-307 (Vol. II, pp. 238-245 in Japanese translation.)

(17) Boeke, J. H., *Dorp en Desa*, Leiden, 1934.

(18) Maine, Henry, "Village-Communities" in *the East and West*, 3rd ed. London 1876.

(18) Itagaki, Yoichi, "Indian Renaissance and the Dawn of Nationalism" in the *Symposium on the 80th Anniversary of Hitotsubashi University*. Vol. II Oct. 1955, pp. 490-530.

Central Banking in Asia: Policies and Techniques

Most of Asia has in recent years been in an economic ferment that has resulted from the urge for accelerated development. This has had profound effects upon both the policies and the techniques of the central banks in that area.¹ Many of these banks have been assigned an important role in the formulation of national economic policy, which has thrust upon them responsibilities directly associated with the fostering of economic growth, in addition to the usual responsibilities for maintaining monetary stability. To carry out these new duties, the banks have had to reach out beyond the range of activities traditionally regarded as within the domain of central banking. Moreover, because the banks have had to operate within relatively undeveloped financial environments, considerable experimenting has been necessary even when seeking to fulfill traditional responsibilities.

In coping with their varied tasks, the banks have had to devote an extraordinary amount of attention to improving the soundness and flexibility of the commercial banks' operations, to expanding and supplementing the available

banking and credit facilities (especially for the agricultural and industrial sectors), to developing the money and capital markets, and to building up a more integrated credit mechanism. It is obvious that these activities are intimately related to the banks' new responsibilities for encouraging economic growth, which require that the banks help to provide necessary credit and mobilize savings. However, they are also tied up closely, although perhaps less obviously, with traditional credit-control functions. Where money and capital markets are at best only tenuously related to each other, where credit is largely extended by bazaar and other money lenders outside the purview of the central bank, and

¹ There are fourteen central banks in South and Southeast Asia and the Far East, apart from those in Mainland China, North Korea, and North Vietnam, which are not discussed here. Ten either are completely new or have been entirely reorganized since World War II—those of Burma, Cambodia, Ceylon, Indonesia, South Korea, Laos, Nepal, Pakistan, the Philippines, and South Vietnam. The four older banks are in Formosa, India, Japan, and Thailand. A central bank for Malaya and Singapore is now under consideration.

where commercial banks seldom resort to borrowing from the central bank, the latter can have only very limited control over the economy's credit operations.

Of no less importance have been the efforts made by many central banks, as fiscal advisers, to persuade their respective governments to maintain reasonable balance in their budgets. Thus far, the inflationary impact of budgetary deficits has often been mitigated by drawing down foreign exchange reserves and securing foreign aid and other external financial resources. Recently, however, many government authorities have begun to show awareness of the fact that there are limits both to their countries' external reserves, and to foreign financing, and have been giving increased heed to central bank warnings that greater emphasis must be placed on expanding domestic savings, if development expenditures are to be continued at levels that will assure economic growth with financial stability.

Adapting the Traditional Credit-Control Instruments

Only a few of the Asian central banks have so far made any appreciable use of traditional credit-control techniques, mostly because of the relatively undeveloped financial setting in which the banks have had to operate. Many banks, however, have endeavored to adapt the traditional instruments to such an environment, sometimes modifying them so much as to substantially alter their character.

During the fifties, discount rate changes have been by only a few banks in the area. In Ceylon, the central bank raised its rate in 1953, after ending its support of government securities prices, and a year later lowered the rate again. In each case, the change was preceded by a substantial movement in the Treasury bill rate. In India, the rate was raised at the start of the 1951 "busy" season, ushering in a new policy of monetary restraint. To make the increase effective, the bank ceased its heavy open market purchases of government securities at high pegged prices; money rates generally hardened; and banks were forced to borrow from the Reserve Bank, which gave it better control over commercial bank lending. In the Philippines, the bank raised its rate in 1949 in an effort to curb a serious drain on the external reserves. However, the private commercial banks there have little recourse to central bank credit, and the rate increase did not have any perceptible restraint on their lending. Subsequently, the rate was reduced again in two stages to its original level.

In Japan, there was a rise in the discount rate in 1955, but this was a technical adjustment rather than an increase in actual lending charges. Previously, the Bank of Japan had actively employed a complex loan system for regulating credit both quantitatively and qualitatively. Under this system a three-tiered line of credit was set up for the banks, with three different rates for each of nine categories of eligible paper. The lowest or "basic" rates applied when a bank borrowed within the first tier of its credit line, and the higher rates when the higher brackets were reached. In 1954 the banks were in a position to start repaying their credits, and the outstanding volume began to drop toward the first-tier limit. It was, therefore, only by raising the "basic" rates that the central bank was able to keep its lending charges from falling. At the same time the bank announced that thenceforward it would place primary reliance for credit control upon the progressive rate system. Last month, however, the bank announced it was going to tighten its credit policy by cutting in half the loans allowed in the two lower tiers.

Most of the countries, relying rather heavily upon qualitative controls, have used the discount mechanism in a selective way. A number of central banks have sought to encourage economic development by providing at concessional rates both agricultural credits of wide-ranging maturities and medium and long-term development credits. In India and Pakistan, preferential rates are accorded paper growing out of the so-called Bill Market Schemes, described below. The discount rate in Pakistan has also been further modified by

a progressive rate system under which the rate increases with the length of time the advances remain outstanding. Finally, several central banks have authority to limit in either a general or a selective fashion the volume of credit they provide.

Resort in Asia to open market operations as an instrument of general credit control has been about as limited as has been the use, for this purpose, of the discount rate. In most cases, efficient use of open market operations has been precluded by the lack of a sufficiently broad market. Those operations that have taken place have usually been heavily weighted on the buying side. The Indian central bank in the early postwar years conducted heavy seasonal purchases in pursuit of a cheap money policy; and the Philippine central bank has bought actively in order both to build up a securities market and to provide resources for specialized institutions. These and others of the banks have also engaged on occasion in some degree of selling, but always with care not to depress prices. In Japan, the central bank reinstituted open market sales of government securities last November, after a lapse of many years. However, these sales have been made in limited volume and under unorthodox arrangements, so as not to interfere with the progressive reduction of interest rates which the government deems necessary to facilitate the modernization and expansion of industry.

Variable commercial bank reserve requirements as an instrument of credit control have so far been utilized by only three central banks, but the potential value of this tool is being increasingly appreciated. The Central Bank of Ceylon has twice altered the reserve requirements against commercial bank demand deposits, raising the ratio in 1951 in order to curb nonessential loans and bring the central bank into closer touch with the market, and lowering it again in 1953 when the banks' liquidity positions became seriously tight. The central banks of Korea and Formosa are the only other banks that have altered their reserve requirements, although a number of others in Asia are authorized to do so (including those in Burma, Pakistan, Thailand, and—since this summer—India). The Bank of Japan which has had such power since 1949 but has never imposed even a fixed reserve requirement, now reports that it has the matter of valuable reserve requirements under consideration.

The relatively undeveloped money market conditions have caused many Asian central banks to depend much upon moral suasion. How successful this has been is, of course, difficult to say. Most often it has taken the form of a request to commercial banks to refrain from granting advances for speculative purposes. A number of the central banks have had recourse also to credit-control measures devised specifically to meet the problems of less developed economies. For instance, the central banks of Indonesia, Pakistan, and the Philippines have at times sought with one stroke both to limit monetary expansion and to restrict imports. To do this, three new types of requirements have been used: (1) minimum cash margins against the opening of import letters of credit; (2) local-currency deposits of a specified percentage of import costs; and (3) minimum percentages of specified commercial bank assets relative to the banks' letters of credit. Many central banks also have power to impose ceilings on the loans and investments of the commercial banks, although this power has been used only in South Korea. Some central bank laws set ceilings on the credit that the bank can extend to the government or to government institutions, although this ceiling has sometimes been circumvented.

Developing the Banking System

In their urgent task of building up their countries banking systems, the Asian central banks have had as one of their more prosaic but basic activities the development of efficient bank-inspection services. They consider systematic, periodic inspections to be of especial importance in their economies, where traditions of sound banking policies and practices have not yet grown up, where people are not in the habit of using banking facilities, and where the possibilities of credit control by indirect means are as yet limited. These

are serious problems. The expansion of personal savings necessary to help finance economic development depends to a large extent upon creating public confidence in the banks; and it is also imperative to direct the limited resources of these countries to the most essential uses. Consequently, a number of central banks have in recent years requested, in addition to their bank-licensing authority, legislation giving them inspection powers, or have expanded their existing inspection operations.

A more visible central bank activity has had to do with enlarging the existing banking services. The central banks have sought to expand the number of commercial banks and commercial bank branches, to broaden the scope of business done by the commercial banks, and to establish special financing institutions. Except in Japan, there are relatively few bank offices outside the most important cities. The central banks of India and of Pakistan have been particularly active in increasing the number of bank branches in rural and semirural areas, and both banks have helped provide training for commercial bank employees. Even where commercial banks have been expanding, however, they have generally continued to provide credit primarily for commercial transactions—mainly because of a concern for liquidity, although sometimes also because of legal obstacles—and have left agriculture and industry almost entirely dependent upon nonbank sources. A number of central banks have therefore resorted to special devices in the attempt to encourage commercial banks to broaden the scope of their financing. Probably outstanding in this respect has been the Central Bank of the Philippines, which administers a fund (supplied from United States-aid counterpart monies) to provide guarantees of commercial bank loans to small and medium-sized industries, and which has also obtained United States Export-Import Bank credit lines for Philippine banks, for reloaning to industry upon central bank approval.

So far, however, relatively little has been accomplished by such means. Only those commercial banks that are state directed or state owned (several central banks have taken a leading hand in establishing such institutions) have shown a readiness to broaden their activities. But even these banks can do little to fill the existing gaps, since most of them follow traditional credit practices. Many central banks have consequently advocated the establishment of specialized institutions to cater to the financial needs of the agricultural or industrial sectors, a practice long followed in Japan, and have taken an active role in promoting these institutions. Some of the latter emphasize medium and long-term credits to industry, like the Indian Industrial Finance Corporation and the parallel institution in Pakistan. Others—in Ceylon, India, Pakistan, and Indonesia—emphasize the entrepreneurial function by participating in the capital and management of private firms, as well as by starting industrial enterprises themselves. One of India's several industrial-development institutions was sponsored by the International Bank for Reconstruction and Development, and its equity capital is privately subscribed. Ceylon set up a similar institution earlier this year, and Pakistan hopes to have one soon.

The need for improving the availability of finance for the rural sector has led to the establishment of agricultural development institutions in Pakistan and Burma. Both of these, like the Indian land-mortgage banks, obtain financial assistance from their respective central banks. In India, however, the central bank decided in 1954 that the problems of rural finance could be solved only within the context of a comprehensive "reorganization of the socio-economic structure of the Indian village itself"—including the revitalization of the co-operative system, the establishment of a network of co-operative warehouses to facilitate commercial bank lending against agricultural crops, and the development of co-operative associations for farming, irrigation, transport, and cottage industries. Last year's nationalization of the former Imperial Bank of India, the country's largest commercial bank, was undertaken as a key move in such a program, with the intention that the bank with its hundreds of branches should be the agency for providing commercial bank finance in the rural areas and for assisting the co-operative organizations. In Pakistan, too, the central bank is trying to rebuild the

co-operative banking system, and has been pressing for improvement of the technique and administration of the co-operative banks. Both central banks are making advances to co-operative banks at concessional rates, in addition to making agricultural credits, in general, available for longer terms than in the past.

A different tack has been taken by the Philippine central bank. While lending support to the co-operative movement, the bank has also sponsored, and makes credit available to, numerous so-called "Rural Banks", whose technical operations and legal responsibilities are tailored to fit the peculiarities of rural economic life, and which serve not only agricultural but also other rural enterprises. The banks conduct their operations under the close tutelage and supervision of the central bank, and much imagination and ingenuity are being shown in adapting conventional techniques, and finding new ones, to serve the rural communities.

Developing the Money Market

Many of the Asian central banks have found it difficult to control the money supply because, among other reasons, the commercial banks seldom, if ever, seek central bank credit, although in Japan and Korea, on the contrary, the commercial banks have traditionally relied upon central bank credit to an excessive extent. In some of these countries, moreover, even if commercial banks should want to borrow, there is a dearth of the kind of paper considered acceptable by the central bank. The Reserve Bank of India began an attack on this dual problem early in 1952, after it ceased its large-scale open market purchases, by launching a novel operation called the Bill Market Scheme. This Scheme utilizes the popular cash-credit (or overdraft) system of lending,² and requires that that portion of a cash-credit granted by a commercial bank which represents a business borrower's minimum needs for about three months be converted into a promissory note; this note, which the bank must demonstrate is for "true trade purposes", can then be used as collateral for Reserve Bank advances, at a concessional rate.

By this adroit adaption to existing credit techniques, the Reserve Bank has succeeded in providing the banks with a negotiable asset, without requiring abrupt and difficult changes in traditional commercial bank practices; and has, it feels, obtained more effective control over the quantity and purposes of bank credit than was possible when it had to engage in heavy open market operations to meet the extremely sharp seasonal variations in India's money needs. The Scheme has also helped counteract the monetary tightness that otherwise would have followed the cessation, after the 1955 increases in the British discount rate, of the usual inflow of short-term capital from Britain. All in all, the Scheme would seem to have helped produce a more elastic, more autonomous, and better integrated money market. The Scheme was later adopted also in Burma and Pakistan, but the commercial banks there have made little use of it, especially in Burma where they find it cheaper to obtain advances against government securities.

In some countries an attempt is being made to develop a broader and more responsive money market by stimulating investments in government securities, and the use of them for obtaining central bank credit when needed. Although in India and Pakistan the problem has been complicated by the need to prevent the inflationary monetization of government debt already held by some banks, the Reserve Bank of India always stands ready to make advances against government securities at the bank rate, and the State Bank of Pakistan is willing to rediscount Treasury bills at a rate only slightly above the average tender or tap rate. So far, however, the commercial banks in Pakistan have made little use of this privilege. In Ceylon, the central bank has found it feasible to help develop the securities sector of the market by supplementing the available government securities with its own, the authority for this practice having been written into the central bank act.

² The cash-credit system owes its popularity to the fact that borrowers have to pay interest only to the extent that credits are actually used, and lenders can withdraw the unused portion of a credit if the borrower's position should deteriorate.

The central banks are seeking to overcome the problems of inflexible and unintegrated money markets in other ways too. In Pakistan, for instance, an effort is being made to substitute offices of the state-aided commercial bank for the many government Treasury offices, which lack any link with the money market. In both India and Pakistan, special attention is being given to the development of remittance facilities, and here again the government commercial banks, with their many branches, are the agents through which this is being accomplished. Finally, reference should be made to the endeavors of several central banks to strengthen and expand the channels for mobilizing savings, such as the postal savings systems and the savings banks.

Concluding Remarks

Like other living organisms, the central banks in the Asian countries have found it necessary to adapt themselves to their environments. In doing so, most of them have taken the position that central banking functions in less developed economies must necessarily be more varied and comprehensive than is traditional. The soundness of this position seems

apparent when one recognizes the impossibility of effective monetary control by means of the traditional weapons in countries where the monetary sphere covers only a part of the economy, where banking and other financial institutions are limited in number, restricted in location, and narrow in scope of operations, where financial markets are unintegrated, where balance-of-payments fluctuations have a severe impact upon the domestic economy, and where fiscal policies—sometimes as a result of overly ambitious development programs—are frequently seriously unstabilizing.

As the Asian economies become more developed and the banking and money market institutions more differentiated, the central banks undoubtedly will find that they can make increased use of the more traditional types of credit controls. It would also seem that the more vigorous the central banks are in seeking to fill in the present large gaps in the financial framework and to refine the structure, functions, and operations of existing institutions, the sooner will they be able to fulfill effectively their ultimate function of maintaining monetary stability.

American-Korean Relations and China

By Egbert S. Oliver

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The Korean peninsula is thrust down off the coast of Asia between the thirty-fifth and forty-fifth parallels and separating the Sea of Japan from the Yellow Sea. It is roughly speaking the size of England and Scotland, ninety thousand square miles, populated today with near thirty million people. It is, interestingly, the last civilized country to become known by the nations of the world. Thrust in between Japan and China, it was off the path of whale ships and merchantmen and was not much known to Americans or Europeans even by rumor or hearsay.

It was decidedly inhospitable to foreigners, being open only to a severely limited intercourse with China and Japan. From China some Christians entered Korea at the end of the eighteenth century, but the government opposed such moves and some were massacred or harassed in various drives in the nineteenth century.

The coast line of Korea is rough and dotted with islands and inlets, some of which help to emphasize the lack of friendly reception there by the European explorers who named them. There is Deception Bay, Insult Islands, False River and many another geographical memorial to warnings and rebuffs.

Although America signed treaty agreements with China in 1844 and Japan in 1854, it was not for another thirty years that an agreement could be signed with Korea. The events leading up to that treaty of 1882 are interesting and ironically significant.

Surely few times in history has a great nation like the United States embarked upon such a momentous event as the opening of the Hermit Kingdom so casually or so innocently unaware of the Pandora's box that was being opened. Certainly, on the other hand, no one can imagine for a moment that Korea would have remained closed if Commodore Shufeldt had not interested himself in the matter. The weight of history and the pressure of nations were both breaching the ancient walls of the secluded Land of the Morning Radiance.

Early Contacts

The early meetings between Koreans and visitors from far lands involved hatred, suspicion, destruction and death. The American schooner *General Sherman* was wrecked on the Korean coast in 1866. She had sailed from Chi-fu on August 6 with a British interpreter, American master and mate and her American owner aboard, and two Portuguese crewmen; but the remainder of the crew were Chinese and Malays. Shortly afterwards, she was reported to the American

officer, Rear-Admiral Bell, as having been burned by order of the king regent of Korea, Tai Wan Kun, with the killing of all the men aboard.

The attempt to gain information about the *General Sherman* only resulted in the loss of further lives. The *Wachusett* under Commander Robert W. Shufeldt was dispatched to investigate the reports. He received native stories that the wrecked ship was burned and that all her people were killed in a melee on shore. Shufeldt returned to China with no clear information. However, he had not seen his last of Korea.

Robert W. Shufeldt was born in Dutchess County, New York, in 1822, receiving a commission as midshipman at the age of seventeen. He had fifteen years of successful service in the navy, but he resigned to enter the merchant service, serving as captain of several vessels in coastwise trade. He interested himself in the trans-isthmian problem, was Consul General in Havana, and undertook a confidential diplomatic mission to Mexico for the American government during the Civil War. In 1863 he re-entered the navy, as Commander, and remained with the navy until retirement in 1884. He won the confidence of the government and was considered eminent in diplomacy. His concern with the opening of Korea was necessarily a long and involved operation and it led him into considerable adverse publicity before he was through with it.

After Shufeldt failed to gain any real information about the fate of the men on the *General Sherman*, stories that four of them were still alive turned up on the China coast. Commander John C. Febigier in the *Shenandoah* went again to investigate; he also came away with stories but without facts.

In 1871 an attempt was made to send communications to the government of Korea from a small fleet under Rear-Admiral John Rodgers and including the Hon. F. L. Low, American minister to China. The principal American desire was to sign a conventional treaty to care for shipwrecked sailors and property and to establish lines of communication in the interest of settling problems arising from extended American commerce over the many seas. This particular unfortunate attempt, however, resulted only in having an American party fired on from a fort. After the American request for an apology had gone ignored and unanswered, not only one fort but five were leveled by American cannon fire. Probably 350 Koreans were killed or wounded. Twenty Koreans were captured.

This kind of unfortunate international situation arose from American good intentions in the light of the Western conception of an open world and international courtesy. The Koreans also had their point of view clearly established and their intentions were equally honorable and clearly expressed.

The high magistrate at the Korean capital wrote to the United States minister to China, F. L. Low, in response to Low's note to him:

The non-intercourse of Korea with foreign states is a settled principle, established by our ancestors five centuries ago; a principle of which the whole world has heard, and of which the Emperor of China is also graciously aware. It is precisely because we must not break through the ancient policy that we cannot discuss and cannot settle that which the honorable envoy desires . . .

The Korean point of view was expressed even more pointedly by emphasizing the differences between the two countries:

Our respective dispositions are mutually dissimilar, our guiding principles are not alike . . . If you are going to want us to give away land and people, then let me ask how can 3000 li of river, hill, city, and country be lightly thrown away? If you will desire us to agree to negotiate and carry out friendly relations, then let me ask how can 4000 years' ceremonies, music, literature, and all things, be, without sufficient reason, broken up and cast away? It does not consist with right, it cannot be spoken of.

The idea of a treaty was hardly understood. Korea was at peace already. What would a treaty do? For several years the Americans made no further overtures toward isolated Korea.

Shufeldt and Li Hung Chang

But in 1878 the American navy and Congress both again became interested. Shufeldt was having some ideas of climaxing his naval career with an achievement as renowned as the opening of Japan by Commodore Perry. Shufeldt was a friend of Senator Aaron A. Sargent, of California, chairman of the Senate Committee on Naval Affairs. Shufeldt was therefore dispatched in 1878 on the *Ticonderoga* on a complex, many-pronged mission, for the coast of Africa; but, as part of the package obligation, to try again to crack the Korean nut. Enroute the *Ticonderoga* was the first American warship to sail up the Euphrates River, where it is safe to say, not many American warships have been. Shufeldt arrived in Japan and asked the Japanese for their good offices in approaching Korea. Japan itself, after several brushes of a hostile nature with her neighbor, had concluded amicably a treaty in 1876; but Japan showed no active cooperation in aiding the United States to achieve such a goal. Shufeldt thought—and said in a letter—that the Japanese were impeding rather than aiding his goal.

It is her policy indeed to monopolize the commerce of Korea. She possesses in that country extraterritorial rights and rules the Koreans with an iron rod. Striving to free herself from the obnoxious sway of foreigners upon her own soil, she unwilling to have these foreigners see how she has imposed these same laws in an aggravated form upon her defenceless neighbour.

The Korean government was utterly deficient at this time, as, in fact, it remained until its fall into the arms of Japan a generation later. Korea was at this time nominally dependent upon China—after the Confucian fashion¹—, but China, too, was bound to the past. Japan had stricken off its medieval fetters and was changing into a modern nation. It was anxious to develop Korea under its direction. In 1881 twenty-four young Koreans went to Japan to study modern ways. In 1882 a Japanese officer became drill master of the Korean troops in Seoul. The Japanese spirit was possessive and the aid Shufeldt wanted was not forthcoming. He went to China, where he received cooperative attention.

Li Hung Chang was the dominant Chinese statesman and diplomat of that time and he was anxious to talk with Shufeldt. In their very first interview Li discussed the crucial position

of Korea in the triangle of Russia, Japan, and China. He asked advice on that occasion as to whether the Chinese navy could whip the Russian navy—and he was willing to heed Shufeldt's positive advice that it could not.

Li was a powerful figure in the China of that time, a large man, six feet, two inches tall. He was fifty-nine years old and a man of strong and coldly calculating will. He was called the Bismarck of the East because of the powerful exertion of his personality over the loosely constructed Empire. He was not modern, but he was not unappreciative of some of the modern methods and means of achieving desirable goals. He bought warships in the West, experimented with torpedoes, and tried to organize an army. Li it was, in large part, who carried forward the negotiations in behalf of Korea. His advice was that Korea should sign treaties with nations which had no territorial designs on the peninsula, such as the United States, to offset the threat of Russia and Japan.

The Koreans had regularly had ambassadorial relations with China. The American engineer Raphael Pumpelly, who was in Japan and China during the 1860's, wrote of securing pictures of the Korean party which arrived in Peking, "bringing the annual tribute to the Emperor of China."

"Dr. Pogo/eff, of the Russian legation, succeeded in taking for me the photographs of several members of the [Korean] embassy, including the chief Ambassador, whose state costume resembles that of the Chinese Court under the Mings. The attendants were dressed in white cotton clothes, padded throughout with cotton batting, and quilted. Their hair was arranged in a knot, secured under a cotton covering; over this they wore broad-brimmed hats of very open horse-hair work".

Both the manner of the negotiation, which Shufeldt was conducting with Li, the Chinese, and the tribute indicate a kind of dependency on China.²

Chinese-Korean Relations

That kind of dependent relationship which Korea had to China is foreign to the Western conception of government, and that relationship, clearly understood in the East and followed without incident for centuries, was Confucian in its essence. The Emperor of China was the Celestial Emperor and a family relationship existed between China and the other Eastern Asian continental nations, Korea, Siam, Burma, Annam, Sula. There was no clearly defined legal relationship, but the religious one of reverence related to the Confucian concept of the family. China was the elder brother, Korea the younger brother. The orderly operation of this concept of relationship is the subject of many of the Chinese sayings and passages in the classics. It is an ethical matter and one related to reason, custom—"good manners." The elder brother does not exercise power. A condition of *laissez faire* is prevalent, until a condition of crisis calls for control: then the elder brother has some control.

This respectful and reverential relationship was indicated by the use of the Chinese calendar, dating from the Chinese dynasty, by the offering of regular gifts (and the receiving of gifts in return), and by the ritualistic kowtows; the Emperor's envoys themselves received three. The Chinese Emperor would need to grant his Celestial blessing by investiture³ upon any new Korean monarch.

That China took this relationship, with seriousness is apparent from the long and continuous battle of diplomacy it waged to get the Western recognition of it down in the treaties. After the American treaty was signed Li continued to advise Korea in its dealings with the other foreign nations. He urged the Korean negotiators to beware of violating their ancient relationship. "You must not permit any precipitate discussion with these Plenipotentiaries," he wrote to the king. September 24, 1883, "which shall nullify the purport of your former notice that Korea is a dependency of China, particularly so, since for two hundred years your country has been

¹ Editorial note: The "Confucian fashion" of state-relationship is described in M. Frederick Nelson's *Korea and the Old Order in Eastern Asia: Partnership, not dependency*.

² Editorial note: The Chinese Emperor also sent even larger amounts of "tribute" to Korea. This was their form of trade.

³ Editorial note: Not "investiture" in the Western sense; more accurately, the ceremony connoted "recognition."

obedient." Li could say in all seriousness to the representatives of the Western powers: "I am king of Korea whenever I think the interests of China require me to assert that prerogative."

This wholly ritualistic and reverential relationship of subordination of Korea to China was baffling to the American negotiators. It is certain that no one in the American government considered for a moment that the innocent attempt at opening the doors of the Hermit Kingdom to the ordinary amenities of Western civilized nations would ever be construed by anyone as an obligation for them to join China in a protectorate over Korea or to take part in the three-sided dog fight for control of Korea.

Shufeldt sent his messages to Korea through China and then, following Perry's pattern, waited a time for the Korean government to consider the move. But time ran out on him. He was due back in America and he returned home with his mission unfulfilled. But Li had talked in a mysteriously inviting way about desiring advice from such a man as he was in reorganizing the Chinese navy. Shufeldt, then, had two reasons for wanting to return to China and Korea: he might play an influential role in the navy of the Celestial Empire and he might this time be able to pick the plum of a Korean treaty. He did have visions of America's expanding interest in the Pacific and he thought Korea might see the wisdom of having America as a friend. He wrote in a letter on October 13, 1880:

The acquisition of Alaska and the Aleutian Islands, the treaties with Japan, Sandwich Islands and Samoa, are only corollaries to the proposition that the Pacific Ocean is to become at no distant day the commercial domain of America . . . If any means can now be found to get beyond the barred gates and to reach the central government, I am convinced that Korea could be made to understand not only the policy of a treaty with the United States, but its absolute necessity as a matter of protection against the aggression of surrounding powers. Korea would in fact be the battlefield of any war between China and Russia or Japan in whichever way these nations might confront each other.

The Treaty

Shufeldt was ordered to return to China on the twofold mission of his dream. He was to be attached to the Chinese legation in order for his work to remain quiet. He was to wait instructions regarding Korea, and he had permission to aid Li with the Chinese navy if so requested.

The negotiations with Korea were slow, as there were two parties in the Korean court government, one in favour of and one opposed to communication with foreigners. On May 19, 1881, Shufeldt left San Francisco for China: just a year later he was meeting with the Koreans and signing the treaty which he and Li had been long discussing.

The expectations and attitude of the United States are probably most nearly officially stated by the instructions which the Secretary of State, James G. Blaine, wrote to Shufeldt on November 14, 1881:

While no political or commercial interest renders such a treaty urgent, it is desirable that the ports of a country so near Japan and China should be opened to our trade and to the convenience of such vessels of our Navy as may be in those waters, and it is hoped that the advantages resulting from the growing and friendly relations between those great empires and the United States will have attracted the attention and awakened the interest of the Korean Government . . .

If the Government of Korea (or Chosen) is willing to open its ports to our commerce as China and Japan have done, we will with pleasure establish such friendly relations, but we do not propose to use force or to entreat such action.

As the negotiations were carried forward under Li's supervision and advice, the Chinese drafts of the treaty always opened with the words, "Chosen, being a dependent state of the Chinese Empire . . ." Shufeldt's arguments over this point may be summarized briefly. If Korea is in

possession of sovereign rights in respect to her foreign and domestic relations, the United States should treat with her independently of any suzerainty to China. Any reference to China might cause complications, especially as the United States had no intention of becoming a joint protector of Korea. But the fact remains, however, that the treaty was negotiated by Chinese in Peking on Korea's behalf.

The statement that Korea was a dependency of China's was omitted from the official document, but the King of Korea wrote a letter to accompany the treaty which is to Westerners a curious commentary. The King asserted that Korea was subject to China, but also that Korea and the United States were dealing with each other upon a basis of equality, and spoke of himself as having sovereign powers. The Asians had ideas that were hard for Occidentals to understand.

From the King of Korea to the President of the United States:

Chosen has been from ancient times a State tributary to China. Yet hitherto full sovereignty has been exercised by the Kings of Chosen in all matters of internal administration and foreign relations. Chosen and the United States in establishing by mutual consent a treaty are dealing with each other upon a basis of equality. The King of Korea distinctly pledges his own sovereign powers for the complete enforcement in good faith of all the stipulations of the treaty in accordance with international law.

As regards the various duties which devolve upon Chosen as a tributary state to China, with these the United States has no concern whatever.

Korea seemed in some sense a tributary state to China and yet the treaty had a pleasant statement in offering the good offices of either nation—either the United States or Korea—if the other were offended by some third power. This sentence has, in the course of seventy-five years, been much discussed as to its meaning and implication and particularly its obligation:

If other Powers deal unjustly or oppressively with either government, the other will exert their good offices, on being informed of the case, to bring about an amicable arrangement, thus showing their friendly feeling.

Korea was indeed unsophisticated and isolated from the world, but it had no intention of taking on the United States as a big brother. By July 23, 1882, two months after the signing of the treaty, and before it had been ratified by the Senate of the United States, anti-Western mobs under the leadership of Tai Wan Kun were active in Korea and several of the progressive leaders who had been instrumental in getting the treaty through the court intrigue were assassinated. The King and Queen were captured and the Western forces of progress—in this instance the Japanese, the only modern force in Korea at the time,—were forced to fight their way to the coast and leave. They were rescued by a British battleship.

Both China and Japan sent forces to restore order and a possibility of war between those two countries was imminent. The recently arrived minister to China, John Russell Young, without waiting for orders from Washington, sent the U.S.S. *Monocacy* to "stand by." Young hoped to prevent war between China and Japan.

The negotiations between the East and the West did not proceed without disturbing incident. The American Congress passed the acts controlling Chinese immigration in 1882, amidst a considerable amount of spirited and often uncompromising public discussion by persons prominent in the government. Such matters did not make the negotiation of affairs between Oriental and Occidental nations any easier.

Shufeldt himself became unwittingly involved in the whole discussion of Orientals in America. While he was in China, a little disgruntled because he was sidetracked over the Chinese navy question, he wrote a long and frank letter to his friend, Senator Aaron A. Sargent, of California (California was the seat of the discussion against Orientals). Shufeldt certainly never intended the letter to be made public, but Sargent, recognizing the real political ammunition in his hand, gave

the letter to the press. It was used widely in America, and was quoted in Asia greatly to the detriment of American interests. It was the private comment of a man who happened to be negotiating a treaty for the United States with Korea—and a private comment does not always read well in public.

Six months residence in this city [Peking] . . . has convinced me that deceit and untruthfulness pervade all intercourse with foreigners; that an ineradicable hatred exists, and that any appeal across this barrier, either of sympathy or gratitude, is entirely idle. The only appeal or argument appreciated is force . . . All sympathy will be construed into weakness, all pity into fear.

The letter comments on the Chinese, but from 1882 on for a generation the American response to Eastern Asia was

essentially unified. That American reaction was very complex, often decidedly negative, and never the innocent, simple matter which a move to open a few ports in Korea to treaty arrangements had at first seemed to be. A few Americans had taken the lead toward the signing of the treaty with Korea—a country of which most Americans had never heard; but three hundred thousand Chinese had settled more or less permanently in Western America and the influx of these Orientals was a political problem of large magnitude.

But in a larger sense the isolation of the East was ended. The seas were all crossed. The doors were all opened. Before two decades more the Stars and Stripes would be planted in Asian waters in the Philippines. For America there was no road back. It had opened the three Eastern nations and it had a destiny to fulfill on the Yalu.

First Impressions of Japan

By G. B. Endacott

(Lecturer in History, University of Hongkong)

First impressions are lasting but not necessarily accurate or rational. Yet they have a value. A first visit to a country is an experience that cannot be repeated, and may well provide clues to the character of a people that longer acquaintance may obscure. Too frequently no doubt, in attempting to reveal other people, the traveller ends up by revealing himself, but in judging others we all face the risk of being ourselves judged.

That the relations between Hongkong and Japan are close is shown by the ease with which a passage may be obtained, by air or by sea. The chief difficulty is the multiplicity of forms; they are demanded in all present-day travel, but in this case, they seem to be particularly time-consuming. Fortunately the new traveller to Japan does not yet realise that on his arrival this process will increase and occupy no little portion of his stay. The launch that takes him to the ship is one of many such waiting to take their turn at the pier, symptomatic of the phenomenal growth of the Colony and the strain to which its passenger facilities are subject. The ship is friendly; he becomes a guest rather than a passenger, and soon joins the circle of the officers. Even the severe-looking Chief Engineer, a Scot of course, is found on closer acquaintance to have a taste for cribbage, apparently for the pure joy of counting, which the passenger is expected to share.

The excitement of being about to discover Japan springs from preconceived notions gathered from what has been read, or heard. To the artistically inclined, there will be the Japanese love of beauty. One professor of Japanese, an Australian, used to say that there was nothing in Japan that was not beautiful. To the student of international affairs, there is the memory of a deep Japanese shadow over the whole Far East during the inter-war years. To the economist, the interest is in Japanese intrusion in markets on a basis of cheap labour and depreciated currency. The difficulty is to come to Japan with an open mind, and to avoid seeing only what one expects to see. The present writer does not claim to have escaped his preconceptions, but only that he tried to be objective. The recently published single volume account of Commodore Perry's visit in 1853 was his staple reading on the voyage and perhaps its chief merit was to take him back to the more placid times of a century ago.

Japan is a land of contrasts. In no country is it easier to draw facile conclusions on a short acquaintance. The traditional and the modern intermingle. The domestic architecture of wood with a beautiful simplicity of design, exists side by side with the modern structures dictated by commercial needs. The huge teeming industrial centres give way on their outskirts to the traditional way of life of the country-side. There is the most up-to-date and efficient system of transport, and yet the roads generally are appallingly

bad. The railways are ubiquitous, the trains are clean and punctual, but electrification is intermittent, and for no apparent reason, you suddenly find yourself changing from electricity to steam. But why do the Japanese love to travel with the carriage blinds drawn so that the inquisitive stranger is denied a view of the countryside through which he is passing.

Everywhere the traditional Japanese politeness is met. This is the only country in the world where the bus conductor, busy as he, or more usually she, might be, bows to his passengers as they leave the bus. One is all the more astounded therefore, in boarding an electric train from the Lake Biwa to Kyoto to find oneself, locked in combat for little apparent reason and with no apparent rules, as if there were a desperate fear being left standing on the platform. In Japan, all public transport is crowded. Yet in the Tokyo area where millions are carried, the crowds are orderly, and it is a common sight to see them queuing on the platforms in well-judged anticipation of where the carriage entrances will be when the train pulls in. No London crowd could be more disciplined. In the city, small taxis convey the traveller at astonishing speed, and with absolute faith in the efficacy of the braking mechanism; these vehicles never quite hit each other, and the frequent need to extricate themselves is marked by a good natured politeness. One misses the violent altercation that such proceedings would evoke from their London or Paris confrères.

At lunch in the city, you eat an excellent and very western steak; in the country, you may eat at an inn, having left your shoes outside, sitting on the floor, with an occasional literal "stand easy" to remove the stiffness, and if you are lucky, or if you organise your visit, extremely prepossessing young ladies will wait on you and entertain you. The kimono is still much in evidence, and the visitor is assured that it will continue so—because it is beautiful; but the women generally dress in the latest Hollywood style, and the wearer of the kimono as likely as not, is going to a party, attending a function or has some other special reason for dressing up.

The Japanese people speak Japanese; I mean there is surprisingly little English spoken, and what there is, is generally American in vocabulary and intonation. They learned their English from the former American occupying personnel, but even more from the cinema. Hollywood English must be a world phenomenon. Of those speaking English, the older speak something closely resembling the Queen's English; those under 30 invariably speak American, providing testimony to the decline of British influence in the Far East. On three occasions I was flattered by being referred to as "an English gentleman", and in each case it was by an older Japanese; the younger generation would not have understood the term.

There is plenty of evidence of the popularity of western music; the tea-houses exist less to drink the tea provided at expensive rates than to hear the latest hit tunes from across the Pacific, to the intense annoyance of one visitor at least, who strayed into one in search of that very English past-time—afternoon tea!

Everywhere you meet politeness, reserve and, normally, a great sense of decorum. Yet one wonders how deep this goes, and there is more than a suspicion that Japan has not successfully emerged from the throes of social and economic and political change. In activities related to the traditional Japanese way of life, the politeness is there without question; its application to what is modern and western is less sure. The impression is almost that two civilizations co-exist in Japan together with every conceivable degree of admixture. There are liberal-minded people, particularly in the field of education, who argue that a people should be allowed to work out its own salvation on the basis of its own civilization. Japan appears to provide an answer. It is that industrialism will create conditions which are incompatible with the old traditional way of life. The danger is that a vacuum will be filled by opportunist political or military adventurers. Economic determinism may be an unpalatable doctrine; ignoring it may be more dangerous.

The Japanese have naturally reacted against a foreign occupation. There is a pride in Japanese achievements. School children in large parties are taken in the summer vacation to the ports, the aerodromes, centres of industry and to cities of historical importance or former capitals like Nara and Kyoto, and all this appeared to be on the scale beyond anything witnessed in England.

They are a saturnine people. They may have great gaiety in living, but all one can say is that they do not care to show it in public. The Japanese are a shy people. The normal reaction is to leave the visitor alone; there is no apparent anxiety to serve him in a shop, or to attend to him at the post office, or railway station—no doubt this is a matter of language; yet most secondary school children learn some English. The visitor will often find great kindness and eagerness to assist. You ask your way, and as likely as not you will be provided with a sketch map. I found the Japanese were fond of maps.

The Police are efficient and respected, or perhaps feared. They speak sharply and with authority, and seem to know their business. No one dares to disobey the traffic lights or take a chance against the light when there is, or appears to be little traffic about. This may be the instinct of self-preservation, for the visitor soon learns that Japanese traffic has a habit of sudden appearance from nowhere. One gets the impression of an efficient people, and yet they seem indecisive and unwilling to give the questioner a specific

answer. Everything must be checked, others present must be consulted, and there is a general reluctance to commit themselves. The visitor has to be patient if it takes ten minutes to get an answer that ought not to occupy more than ten seconds. The surprising thing is that all this does not seem incompatible with efficiency.

The impression is that they are not a mature people; there is not the ease that comes from an assured and accepted social frame-work. The explanation may be that the bulk of the people are mainly concerned with gaining the elemental needs of food shelter and clothing. The impression is of a nation still manifestly in transition.

Everywhere are signs of expanding industry, that is, measured by new building for presumably industrial purposes. In the coastal areas, and in existing industrialised districts, this laying out of new factory sites was particularly apparent. This has the advantage of cheap sea transport and spreading the risk of unemployment by diversification of industry. In the Nagoya area, the main centre of the pottery production, factories were working full time, and employing young girls on repetitive work. I was assured that no child was allowed to leave school before the age of 14, but candour compels the observation that many girls looked younger; of this, a stranger is not of course the best judge. The standard of living is low, taxation is high. But everywhere there is evidence of an industrious people, willing to work. Possibly they have no choice, because of the weakness of the Trade Union movement. One Osaka cotton manufacturer maintained the optimistic view that trade unionism would never be strong in Japan because the growth of population created a labour force in excess of requirements and that Trade Unions could not flourish under such conditions.

The chemical industry, perhaps the touchstone of the new Industrial Revolution is particularly in evidence in new construction. One impressive sight is the enormous concentrations of industry around Tokyo, and in the Kansei district, and another is the amount of Japanese shipping and ship-building. Yet the heavy cost of importing raw materials slows down the speed of new capitalisation of industry.

The visitor has no right to be dogmatic. He cannot claim that impressions can in any way take the place of study of statistics and close analysis of political and social institutions. The prevailing impression is that here is a country in an interesting state of transition, and not quite certain of itself. Its economic advance which is rapid and more assured, means that this is a country which will compel more and more account to be taken of it. Political development will come but may well wait upon the economic drive. It is a country that demands a closer acquaintance, and for the industrialist, will increasingly be one to be reckoned with.

Thailand's Political Parties

By Hubert Freyn

PART I

"There is nothing new under the sun," said Ben Akiba, and the first glance at Thailand's emerging parties gives him right. Without experience their leaders are already behaving as if theirs were a tradition as old as the Magna Charta. Even the divergent trends familiar from the European scene are being faithfully duplicated. There is already something like a Right and there is a decided Left; and the Left parties in particular are talking as they do elsewhere. Then, reminding of a "preview of coming attractions," the first by-election was held in the new atmosphere, accompanied by much fanfare and in the presence, no less, of foreign diplomatic observers.

The old is just the same new, not because it is essentially different (which it is not) but because it is undertaken by new people in a new setting. A second glance tells that the pattern of the new political suit of clothes now being made will vary in many details from its Bond Street model, as the reader will perceive at once.

The initial preponderance lies inevitably with the party into which the ruling group in control of the government has been transformed, the Seri (Free) Manangasila Party headed by the Premier and comprising the cabinet ministers and other important group members. Its secretary general is Police General Phao Sriyanond who, despite his numerous other duties and positions, has emerged as a tireless and effective campaigner who is touring the country as intensively as did the contemporary American presidential candidates: not, however, for himself but on behalf of his party.

That he knows his people was speedily made known by the attractions he added to his speeches. Once he took along a well known singer of popular comedies, and the Thai will walk far and stand for hours in order to hear them; he had movies shown; a past "Miss Thailand" and her runner-up were mobilised for the party. Nevertheless, the seriousness of the purpose was not forgotten. In one instance he won over a critical crowd of some 20,000 believed to be favourable

to other parties and, at first, not friendly to him. There were shouts that Thailand was an American debt colony (have we heard this before?) and paying for the American military personnel stationed here; that the government was not giving enough attention to education; that there was corruption in it; that the police detained and shot people illegally. The General, however, gave satisfactory answers to all these charges and changed the mood of the crowd to one friendly to the government.

Also the Premier has been campaigning, opening party branches, stressing party records and aims and—what European premiers need not do—giving lectures on the A B C of democracy. He also received complaints from the populace, promising remedies if they were found justified. In the capital, too, the new Election Act was the subject of frequent explanatory talks, one of the points debated being the right or otherwise of civil service officials to become candidates; another, that of the wearing of the manifold and important uniforms, a topic to be taken up later, its general significance having been discussed in the May 17 issue of the Far Eastern Economic Review.

As regards the former it was explained that no second category (appointed) National Assembly member may seek election next year without first resigning from his permanent civil service post, which they hold in addition; that, however, political officials in the government may be candidates without resigning. For Thailand, where everybody who is somebody is traditionally an official, this is a vital issue, and from subsequent arguments it appears that the last word has not yet been spoken.

Related to it is the situation that, the officials in office being likely to support the government party, this might find itself with an excess of would-be candidates. The Deputy Premier declared at a press conference (which has become a regular, well established event) that the party would try to open branches in every tambol (district) but would support only those of its members which it considered most popular. As a poll was to establish the attitude of the electorate, a Thai Mr. Gallup is evidently called for.

Insinuations and outright lies, which seem to be unavoidable in election campaigns anywhere, have not been absent but here had a specific colouring. In May, a circular purporting to be sent by "The Central Committee, the Communist Party of Thailand," reached government offices, newspapers and individual politicians. It called for the cooperation of the general public in securing the release of Thap Jotinuchit, the earlier mentioned (May 17 issue) leader of the Economist Party who had been arrested after his clandestine trip to Communist China. Afterwards the Public Relations Department declared that these leaflets had come from no such body but from "some political group" it did not name. Thap Jotinuchit, by the way, together with two other political prisoners was released on bail in order to perform his functions as people's representative. In July, the Manangasila Party declined a request of the Criminal Court for their trial. As will be shown in the next article, the gentleman made the most of his freedom.

On June 24 the King opened the National Assembly with an address in which he praised the institution of political parties as "a step forward in democratic government" but warned the people not to let party politics divide the nation. The government would strictly uphold the Constitution and take steps toward greater democracy through promoting primary education so that the people would elect more first category National Assembly men to take the place of the second category representatives. Comments were also made on trade, defense and foreign affairs.

Three days later the Public Relations Department announced that on the morning of the 26th May, Radio Peking had reported the following: the King had declared in his address that Thailand should trade with all countries, particularly stressing the importance of trade relations with communist countries. Such a falsification, the department stated, was *lèse majesté*. In view of the Thai people's profound attachment to their sovereigns, wherein they feel very much like the British people, the Peking assertion seemed singularly ill advised to further the communist cause. There

are indeed some politicians claiming trade should be conducted with Communist China; but they only belong to small Left wing parties whose description is reserved for the next article.

* * * *

The first application of the new Election Law came on July 1 in Uttaradit, a railway town in the north, and though only a by-election it received more attention and publicity than most regular elections in the West. From the outset the Premier and other high officials had assured the country that the election would be "clean" and bar of unfair pressure. A special committee headed by the Inspector General of the Administrative Inspection Department watched over the proceedings. One minister and two deputy ministers, including General Phao Sriyanond, were present in the company of considerable staffs. Newspapermen were brought from Bangkok by the Public Relations Department free of charge. And representatives of various diplomatic missions in the capital made the trip which takes some fifteen hours by train.

Under the scrutiny, then, of many alert eyes the government candidate obtained over 30,000 votes; the second best pulled less than 9,000; the third best less than 5,000; the last 1,400.

The victory of the Manangasila candidate was indisputable, and the honesty of the ballot was conceded by the opposition. What critics found fault with was the presence of the many high officials. Said the diehard opposition "Siam Rath Weekly Review": "Among the various and numerous freedoms which are the true essence of democracy there is the freedom from being fooled. Thai citizens are now seeking haven under this freedom. If they talk incoherently about the by-election results in Uttaradit, it is because their tongues are in their cheeks."

General Phao Sriyanond commented that from now on elections to the National Assembly would be based not on the popularity of personalities but on the politics of the party represented by the candidates. A few weeks later he made another significant declaration. He was asked at a public gathering of some 30,000 in the Northeast what would happen if the Manangasila Party failed to win a majority in the general elections next March and if some other party wanted to form a government. Would the Manangasila Party engineer a coup d'état? His answer was that, the political system of government having been instituted, there would definitely be no more coups d'état.

During this campaign the General wore, as an American correspondent mentioned with disfavour, a uniform. But it was not, the Director General of the Public Relations Department afterwards explained, that of the police but that of a deputy Minister of Interior, which is a political post. As emphasised before in these articles, every government official must appear in uniform ever so often and may wear it whenever he likes. A few days earlier the Premier had said that the wearing of uniforms during political campaigning was wrong. The question remains whether he had all types in mind. A prohibition to ban every kind of uniform at an official function—and that campaigning on behalf of the government party certainly is—would be revolutionary.

Shortly before the opening of the National Assembly session there took place another event belonging to the pattern of the emerging democracy. The forces behind it directly influence the formation and strength of Left wing parties anywhere in Asia.

After many years of silent acquiescence the labour movement had been stirred by the announcement of democracy to come, and on Thailand's first May Day the Premier himself had paid tribute to Labour (see Far Eastern Economic Review August 9 issue). On June 11 some 10,000 labourers met at the Ministry of Culture demanding legislation giving them the right to strike and various social welfare provisions. Some speakers—as elsewhere—attacked acceptance of American aid and called for trade with Communist China. All of which proved the inseparable relation of domestic and foreign politics, a nexus which today cannot be sidestepped just as the influence of the past cannot be escaped.

This influence burst into the open a week later when the (British) Bombay-Burmah Company dismissed its saw mill workers, a step made necessary, it was explained, by the government's new forest policy. (As the old teak concessions held by various foreign firms expire the Forest Department takes over, alone or in cooperation with them). Immediately, the cry was heard: "Stop being slaves to foreigners!"

Also this exhortation was not new. It was first shouted in Asia in 1920 by Lenin's emissaries from whom various nationalists learned it. But, like democracy, it was new in Thailand as is the accompanying Left wing party development. The pattern is familiar because mentally we do live in One World.

If Thailand escaped political domination by foreign powers what remains of foreign held concessions is a reminder of the one-time European economic supremacy. (Even American aid is being twisted into something like it to furnish grist to the communist mill). Characterising that supremacy was the total absence of social welfare provisions—for the locally employed workers; the foreign staffs were always well taken care of.

In China the resulting train of events led to communist domination. In other former colonies in Asia a fierce struggle continues today whose outcome is undecided. In Thailand it has begun in a small way with the lifting of the lid under democratic freedom. When approached for severance pay the management of the company was reported to have declared that it was not legally obliged. The demonstration followed.

In Thailand, where the government acts as the spokesman of the capitalist, the first answer to discontented labour is social welfare. On the very day, in fact, when the newspapers reported the trouble at the saw mill they also reported the draft of a new labour bill to be presented by the government to the National Assembly, which later adopted it with minor changes. The Premier held several meetings with labour leaders, taking throughout a friendly, conciliatory

attitude. But in response to some demands he pointed out that social welfare provisions increase production costs and, therefore, the cost of living. Unless carefully kept within bounds, they could cause a rise in prices which would deprive the workers of the benefit of wage increases. (On a small scale the dangers inherent in the situation remind of the cause of the inflation in Great Britain). Peace was restored soon, but the labour movement stands only at the beginning, there being too many interested parties involved in it.

Other government measures accorded with the democratic trend. The ban forbidding the criticism of foreign countries in the press was lifted. A bonus-pension bill was approved to take care of those officials who under the decentralisation scheme are to be transferred from the central to provincial and local governments, which showed that the Premier is in earnest with this plan of his. And microphones, the original bone of contention in "Hyde Park," were to be allowed at election meetings as soon as a royal decree was promulgated, said the Premier. A reporter had pointed out to him that, when acting as party head, he always used one while leaders of other parties could not. The reply was that he had never thought about it but would consider the matter. (This was at the end of June; by October the decree had not yet appeared).

Undoubtedly, the Seri Manangasila Party possesses huge advantages over all other parties—it has large funds, control of the government apparatus, the prestige of individual leaders. Its declared ambition, though, is to win the next elections not because of these factors but through pure popular support. One member said the party would make an effort to win that election by one hundred per cent. So that there would be no opposition candidates at all in the National Assembly, a contention supported by the diligent campaigning of also the appointed people's representatives.

The leaders of the other parties naturally speak in a different vein. They will be considered in the next article.

(To be concluded)

Thailand's Architecture and Constructions

By Silpa Birasri

One of the most outstanding features of Thailand is its fine old architecture, the history of which runs from the 10th to the 19th century of the Christian Era. Since then, the Thai started to use ferro-concrete and this new material brought an ending to the construction of buildings in Thai style.*

Professor Silpa Birasri (C. Feroci) was born in Florence, Italy, and graduated from the Royal Academy of Art of Florence. He entered the Thai Government service (Fine Arts Department) in 1924. He has to his credit a multitude of outstanding works chiefly in bronze such as the statue of King Yodfah at the Memorial Bridge (connecting Bangkok with Dhonburi) and that of King Vajiravudh at Lumbini Park (the largest park in Bangkok). As Dean of the Faculties of Sculpture and Painting, Fine Arts University, he is the mainstay and livewire of art study in Thailand. Professor Birasri has devoted himself for over thirty years to the study of Thai art and is universally acknowledged as an authority. He did much to introduce Thai art to the world by writing extensively and with insight on the subject and by organizing a warmly received exhibition of Thai painting, modelling, bronze casting etc. in London in 1947. He also initiated the Bangkok annual art exhibition which bids fair to become a permanent annual event.

Thailand is a tourist country par excellence. Its many historic buildings prove most attractive for any visitor. The Thai Government has attempted to enhance tourist facilities and private enterprise has succeeded in providing growingly efficient services for foreigners.—E.D.

According to what we know about archaeological matters the oldest and few remains belong to the Davaaravati period, circa 5th-8th century A.D. This Davaaravati Kingdom was ruled by Mons, having Nakorn Pathom as capital of a large area of Central Thailand including Lavaburi, modern Lopburi. Since the 8th century the Khmers started to overpower the Mons and by and by occupied all Central Thailand. Southern Thailand, up to modern Hua-Hin, was however a dominion of the Srivijaya Dynasty of Sumatra. The Khmers ruled a large part of Thailand for about five centuries and this accounts for the many Khmer architectural remains to be found in this country, particularly in the north-eastern area. Therefore it is quite natural that the originating source of Thai architecture should be reckoned principally as Khmer. But this fact should not mislead us to think that Thai art is a mere offshoot of the Khmer one. Between the two artistic expressions there is a difference and one can easily trace in Thai monuments Khmer elements. Religion, material used for construction, Burmese and Chinese influences and particularly the peculiar artistic temperament of the Thai race formed the Thai style of art.

* In recent years Thai Government structures, though built with modern materials, have increasingly been erected in the beautiful style of tradition and current building is usually influenced by the characteristic architecture of the Chakri Dynasty era.—ED.

The use of coloured tiles and gilded ornaments, which is a peculiarity of Thai architecture, was certainly due to Chinese influence. In fact architectural monuments of Sukhothai, the first capital of Thailand, A.D. 1238-1360, were monochrome, and painting and pottery were also monochrome. Since the end of the 13th century Thailand had friendly relations with China. The great King Ramakhamhaeng, circa 1275-1317, inaugurated that good relationship which was maintained by succeeding Thai royalty. Hence since the beginning of the 14th century we may trace Chinese artistic elements in Thai art. Besides, we should bear in mind that the Thai came from Southern China and, of course, there must be some points of contact between the artistic expressions of these two peoples. Another important fact is that both China and Thailand used the same construction materials, bricks and wood, which engendered similarity of artistic characteristics.

From about the 9th century A.D. and onward, independent Thai states such as Chiengsen, Chiengmai, Muang Fang, Muang Sao etc. were established in North-Western Thailand. That area was not under the control of the Khmers and thus Cambodian art did not play any important role in forming the Northern Thai art. On the other hand Burmese influences were very strong and indeed a comparative study shows us the strict relationship between Burmese and Northern Thai architecture. Indian, and later on Chinese influences can be detected too.

The variety of forms of the Northern stupas representing the oldest examples of architecture, testifies to the imaginative fertility of the old Thai artists who at that time did not follow a strict conventionalism of style as we notice afterwards in the monuments of Ayuthia and particularly of Bangkok. But although the form of the northern stupas is very varied, there is a unity of characteristics which renders that art undoubtedly Thai. In many architectural monuments of Ayuthia we can trace the strong influence of these Northern examples.

When we refer to Thai architecture with its definite style we mean that architecture with developed in Ayuthia, the second capital of Thailand, A.D. 1350-1767, and which reflowered in Bangkok 1800-1900. This kind of architecture has an uniformity of style from Sukhothai to the southern provinces of Thailand. Foreigners in Thailand are attracted by the fine views of the Thai Wats. The word "Wat" in Thai means any religious structure, but nowadays it generally signifies the temple including various architectural constructions which, enclosed in their surrounding walls, are like an oasis of peace and beauty in many spots of every town, village or amidst the forest.

Bot and Vihara: The principal structure of the Wat is the Bot corresponding to the Indian Chaitya where monks assemble to pray. The Vihara has the same architectural characteristics as the Bot and is used to enshrine Buddha images; on some occasion is also used to teach the Buddhist doctrine. In many instances either the Bot or the Vihara is enclosed in a square verandah walled outside, covered by the typical Thai roof, having four or more gateways. Usually around the verandah there are many Buddha images. In few instances the walls are decorated with mural paintings.

Phra Chedi and Phra Prang: The Thai have two types of stupa. One is called Phra Chedi which has the same characteristics as the Indian stupa. The other, called Phra Prang originated from the tower of the Khmer temples. In a Wat there may be one or more stupas of different types and sizes.

Hawtra: The Hawtra is the library where sacred books are kept. Generally it has the form of the common Thai house thus presenting no special architectural peculiarities.

Mondop: Some Wats instead of the Hawtra have another structure called Mondop. This is used either for a library or to enshrine some relics, such as the Mondop of Saraburi, near Lopburi, containing the foot-print of Lord Buddha, while the Mondop at Wat Phra Keo in Bangkok is used as a library.

Sala: In a Wat there may be many Salas which are either open or walled pavilions. The former serve as resting place, while the latter, more properly called Kanparien, serve to teach the Buddhist doctrine.

Kuti: As a rule, attached to the Wat there are also many buildings who are referred to as Kuti. The Kuti has no particular architectural attraction, being a series of buildings containing one, two or three cells, or a long building with many cells in a row for the residence of the Buddhist monks. The Kuti is separated from the Wat by a wall, or fence or canal. As has been stated, a Wat may contain the above mentioned structures or just the Bot only.

Pra Sad: The Pra Sad is another structure which serves either religious or secular purposes. The Pra Sad as religious structure contains an image of Buddha or other venerable objects. If used for secular purpose it is the Throne Hall of the Thai Kings. Of the old Pra Sad nothing remains because in the olden times they were built of wood. Only in the Bangkok Period were the Pra Sad built of bricks of which a very fine example is the Dusit Throne Hall in the compounds of the Grand Royal Chakri Palace.

Of the old royal palaces only a few remain because these structures were built of wood. From examples built of bricks in Bangkok we notice that they have the same characteristics as the Bot or Vihara, both in plan and elevation.

Haw Rakang: The Haw Rakang is the belfry to be found in every Wat. The Haw Rakangs differ from one another very much. Some, the simplest, are formed by four high wooden piles supporting what appears like a small Thai temple—others are built of bricks covered with a coat of plaster or covered with glazed tiles.

Characteristics of Thai Structures

The Bot is a structure, the origin of which has to be sought in the old Indonesian-Thai house. It is a simple rectangular building with accentuated sloping roofs covered with glazed tiles in colour. The slight concave curve of these roofs suggests the abasement of the thatched bamboo roof of the prototype common house caused by the heavy tropical rains. The superimposed layers of roofs is a characteristic of wooden structures due to the projecting additions to the main portion of the building, while the prominent projection of the eaves is typical in tropical countries to protect the building from sun and rain. At both ends of the ridge of each roof of religious or royal buildings there is that peculiar horn-like finial called Cho Fa (bunch of sky). We cannot state definitely the meaning of this element, but we would suggest that it derives from the horned-mask we notice in the same point of the buildings, used for magic or animistic purposes, to be found in Indonesia and the Pacific Islands.

The Bot is raised over a basement which varies in height from about 50 cm. to 1.50 m. In the lateral sides of the ancient Bot there are some grate like openings akin to the windows of the Khmer temples. The Bot may have one, two or three doors on both sides, front and rear. It may be a simple rectangular structure without any addition of porches or colonnade around it, or quite the opposite, it may have porches in front, and rear, or porches and a range of pillars around it like the Greek peripteral temple. Some of the Bot of Bangkok have a latin-cross plan. The interior may be formed by a simple ample nave or by a nave and two aisles with pillars.

In Sukhothai and Ayuthia the pillars were octagonal or round with capital in the form of lotus flowers. In later periods the petals of the flower were more and more elaborated becoming mere ornaments. The Thai capital has no abacus. The Bot of Bangkok generally have massive square pillars with or without capital. As a rule, the pillars of the interior are without capital, while those of the exterior have capital. Inside the old Bot the timber structure of the roof can be seen as in many Christian basilicas. In newer Bot, due probably to European influence, a wooden red-coloured ceiling decorated with gilded studs, was added. The interior of the Bot contains only a large gilded sitting Buddha image cast in bronze or modelled in stucco. The walls are either plain

or decorated with paintings while the window-panels are externally decorated with lacquer-work called *Lai Rot Nam* and internally decorated with mythological figures painted in bright colours.

The effect of these interiors is most impressive. The sacredness of the ground where the Bot is built is marked by eight boundary stones (*Semas*). Outside, the beautiful polychromy of the large surface of the roofs contrasts harmoniously with the whitewashed mass of the brick structure, while the gilded ornaments of the door-ports and window-frames modelled in stucco, break the monotony of the large white surface and enrich the whole building without disturbing the imposing effect of the architectural mass. The gilded wood-carved ornaments of the pediments with the blue, or green mosaic in glass serving as background give the finishing touch to the ornamentation of these buildings which under the tropical sun and amidst the luxuriant vegetation seems like huge bunches of flowers.

The Vihara has the same characteristics as the Bot except for the fact that it may contain many Buddha images instead of a single one; although we may notice that some Bots have more than one image. With regard to Khmer influence on these structures there remain some ornamental parts such as the Naga (snake) universally used on the front of each roof of the building.

In the olden days the Stupa was the most venerated religious structure because it was meant to contain relics of Lord Buddha, but in later periods this structure was also used to contain relics of kings, holy men and other noble personages. The stupa thus lost its greatest original meaning and the Bot became the principal religious building. Thailand has two types of stupa. The one having the principal elements of the classic Indian stupa: namely, drum, dome, throne, and umbrella, is called Phra Chedi. The outstanding old Phra Chedi are to be seen in Sukhothai and Nakorn Sritamarat. From these specimens we may notice that the Thai stupa originated from the Ceylonese type. During the Ayutthia period a more typical Thai stupa was created. This had the same characteristic of the classic one but with the addition of four niches around it surmounted by four small stupas. This suggests a compromise of the Ceylonese with the Northern Thai old stupas. At any rate, this type is very fine looking and typically Thai. One of the niches gives access to the interior of the stupa wherein a Buddha image is placed. Some monochrome painting on the wall representing figures of Lord Buddha completed the artistic ensemble of the interior. In the other three niches there are three standing figures of the Buddha. This is a universal characteristic. The group of the three Phra Chedi at Ayutthia, Wat San Pet, is a very remarkable and imposing architectural composition of the 16th century. Another characteristic of the Thai stupa is that around the shape of the umbrella (*Chattra*) and just over the cubical throne there is a range of small columns. We have referred to Phra Chedi having a small chapel in their interior, but generally these structures are solid masses built of bricks. The most important Phra Chedi are gilded with gold leaves or glass mosaic. Others are all whitewashed. The Phra Chedi of Nakorn Pathom although modern is the most beautiful, imposing example.

The second type of the Thai stupa is the Phra Prang, a direct descendant of the tower of the Khmer temples, which originated from the Sikkara of the temples of Northern India.

The oldest Phra Prang are at Savankaloke, Pitsanuloke, Sukhothai and Ayutthia. The Phra Prang is an imposing structure whose outline is monumental and at the same time very graceful. Contrary to the Phra Chedi, round in plan, the Phra Prang is square, reminiscent of its Hindu origin. The classic Phra Prang is formed by a very high basement, more than one third of its total height, and a dome superstructure which is the real cell enshrining a Buddha image. Like the Phra Chedi of the later period, the Phra Prang has four cells, one giving access to the small chapel and the other three containing Buddha images. We reach the entrance cell by a very steep and narrow staircase.

The very characteristic of Thai architecture is to include the monument into a curved pyramidal outline. In later periods, particularly in several monuments of Bangkok, we

notice the emphasis on the gracefulness of this outline was very detrimental to the monumental appearance of the structures.

The Mondop is a square cubical structure which may be plain or have a range of pillars around it. Its superstructure is a curved pyramidal mass formed by many low domical roofs superimposing each other and having a slender pinnacle as finial, called Yot. Each layer of the roof is decorated with the universal ornament called *Song Ban Taleng* in which we can trace the window of the old Indian-Buddhist Chaitya or the Indian Cell which has the same shape of the window. In fact the old Buddhist Indian Vihara with its various stages and cells around it seems to have been the very prototype of the superstructure of Indian Hindu monuments as well as those of the countries which adopted Indian culture. The Thai Mondop may have originated directly from the Mandapan of the temples of Northern India or more properly from Burmese examples.

The Pra Sad is a structure used in Thailand either for religious or secular purposes. Its best example is the Dusit Maha Pra Sad in the premises of the Grand Royal Palace in Bangkok. This Pra Sad has a Greek-cross plan and porch in front. The brick structure is covered with the typical Thai roof formed by many layers of sloping roofs slightly domical which give the impression of a stepped pyramid. Generally if the Pra Sad is for royal use, like that of Dusit, then its finial pinnacle has the form of the Thai crown, while if it is used for religious or memorial purposes, then the finial pinnacle is a small Phra Prang (Sikkara) like the Phra Tep Bi Don (the Royal Thai Pantheon) in the Wat Phra Keo of Bangkok.

By comparing the domical superstructure of the cell of the Khmer temple with the small Phra Prang of the Thai Pra Sad we see what was the principal element of the Khmer temple; in the case of Thai building it has become merely traditional, or symbolical which may add grace to the building but has no longer constructive meaning.

The fine architectural composition we notice in the Thai Wat is due principally to the horizontal large masses of the Bot and Vihara contrasting with the vertical high structures and pinnacles of the Stupas, Mondops, etc. Thai architects grouped their building in such a harmonious way as to avoid any confusion both in plan and elevation. The polychromy of these structures differs also in such a manner as to avoid monotony or discordant effects. Indeed the polychromy of Thai architecture reflects the high taste of the Thai for colour schemes.

But architecture does not mean only beauty, it has to correspond to the purposes for which it is created, and also from this standpoint, I think, Thai architects were most successful in their art because by stepping into a Thai temple any sensitive person is filled with a serenity of spirit which is the very essence of Buddhism.

Thai Painting

The art of painting in Thailand started as a linear expression, imitating the characteristics of the figures engraved on the slabs of stone which, like painting, were used to decorate the old temples of Sukhothai. From the few mural printings on the architectural monuments of Ayutthia of the 15th century A.D. one notices that some effect of chiaroscuro and polychromy is added to lines by using black, red and gold. It is to be regretted that from the above-mentioned specimens to the fully developed mural painting, nothing is left to follow the development of this art. But the book-illustrations of the 16th century may serve to fill in part this gap and to note how painting, like architecture and pottery, became progressively more colourful. In fact the colours of these illustrations are luminous and very pleasant. Many compositions of these illustrations fill up all the space of the pages showing pageantries, celestial visions, or frightful looking figures representing shapes of the lower world. The best, and almost unique, specimens of this kind of books are kept in the National Museum of Bangkok and referred to as the *Trai Pum*, the Buddhist cosmology.

In the 1767 Ayuthia was destroyed by a severe conflagration. Most of the finest architectural monuments were lost in that conflagration, while others, left to the mercy of the tropical climate, underwent the same fate. Needless to say that with the exception of few remains mural paintings were all lost, the principal reason being that the unique medium used by the old Thai painters in their work was tempera. Therefore, to appreciate Thai painting we have to refer to those left in the Wat of Bangkok, particularly Wat Sutut, Wat Suvanaram, Wat Buthaisvarya (in the premises of Isara-Vinichai royal palace, now used as the National Museum), and Wat Dusitaram.

Someone may wonder why we do not mention the well known paintings around the verandah of Wat Phra Keo. But those paintings, which were begun about A.D. 1927 to replace the fine old specimens almost completely destroyed by the dampness of the walls, represent the decline of this art due to Western artistic influences. This decline may be easily understood by the following remarks. In old Thai painting terres and other few natural colours were used. Usually terres harmonize perfectly with each other. With the exception of the trees painted with two or three values to render a slight sense of volume, the rest of the figures were painted with flat tints. Perspective of citadels, palaces and other structures, as well as all other figures was rendered in a primitive but very charming way and it could not be otherwise to harmonize with the character of the style. The aforementioned artistic peculiarities were partly or completely obliterated by the introduction of exotic characteristics such as: I. use of scientific perspective which effects the harmony of the linear composition. II. use of chemical tints many of which jar the chromatic effect of the painting. III. rendering of atmospheric effects in landscapes and rendering of volumes of the painted figures, two features which are quite opposite to the Thai art.

As a rule, painting in Thailand was principally used for religious purposes and particularly to decorate Bots and Viharas. Besides religious subjects, others inspired by Hindu literature, particularly the Ramayana epic, were cherished by the old Thai artists. It is interesting to observe the striking difference of artistic rendering of the paintings dealing with religious subjects in contrast with the paintings representing

stories from Ramayana. When treating religious subjects, the artist was filled with a pure serenity of spirit and his brush, like the voice of a holy man, could communicate to others that pure feeling. On the contrary, when painting scenes from the Ramayana epic, the fantasy and force of expression of the old artist had no limit. Indeed the painted army of the spirited monkeys of Rama and the opposing army of the hideous Rakshas fighting each other are exceptionally alive. But although the old Thai could paint a very pathetic or a frightfully fierce scene, he never became too sentimental in order to move the onlooker; nor did he indulge in any kind of vulgar expression. In fact he worked simply to serve and exalt his Faith. Thus he had no reason to adapt his art to the public taste.

We have mentioned that Thai painting started as a linear expression, and this characteristic has been the most important peculiarity up to modern times. Like the theatrical actors, the printed figures suggest the meaning of their action, or feeling, by conventionalized gestures and accordingly the line must be most expressive. In Thai painting there are three kinds of style in representing human figures according to their rank. Royal and celestial beings are painted in classic style wherein the artists focussed all their talent. Indeed these figures could not be more refined in lines, colours and expression. The dresses, crowns and jewellery of these figures are the same as those worn by the royalty of the past. The second type is that of the dignitaries and other royal attendants. Here we notice a kind of compromise of classic and realistic style, the figures bearing a distinctiveness proper to their ranks. Common people are painted realistically and also their facial expressions are realistic, while those of the royalty, celestial beings and royal attendants are always expressionless.

As the Thai artists pictured their compositions according to the real surrounding these paintings are also a precious source to learn the history of old Thailand. Like architecture and sculpture, traditional Thai painting belongs to the past and this makes more valuable the few specimens that still remain in Bangkok, Ayuthia, Sukhothai, Pejaburi etc., which most regretfully are fading away day by day on account of the tropical dampness.

Prospects of Philippine Foreign Trade

By Professor George C. Francispillai
(University of Ceylon)

The period of the past one hundred years has been selected for the present review as it has the advantage of covering the various political vicissitudes and portraying the changes in economic trends during the different regimes. It equally serves as adequate background to explain some of the causes responsible for the economic problems of the Philippines to-day.

The foreign trade of this period could be divided into four phases: the Spanish period (1855-1898); the American period (1898-1941); the Japanese period (1941-1946), and the Post-War period (1946-1955).

During the Spanish period, official statistics of 1855-1898 reveal that the value of the exports and imports was P36,655,727 and P25,398,798, respectively. In the absence of any information as to the capital outflow during this period, all we could state is that the balance of trade during this period was favourable.

The trend of trade during the American regime was equally favourable, but with a difference. It was larger both in volume and value as can be seen in the following table:

	Export Value	Import Value
1899	29,693,164	38,385,972
1909	69,848,674	62,168,972
1920	302,247,711	298,876,365
1929	328,893,685	294,320,349
1939	315,789,047	243,129,974

The change both in volume and value was partly due to the adoption of the preferential system manifesting itself in the Underwood-Symmons Act of 1913 and a series of others, while the most recent was the Laurel-Langley Agreement of 1954. The size of the increase as opposed to the Spanish period was also due to the greater income, size of the population, producer-consumer preference, price of the Philippine goods and prices of the competing goods. But the overall effect of the Preferential system was the undue dependence of the Philippines on the American market for the sale of its goods. It would be quite untrue to contend from an analytical standpoint that the reverse is true.

The incidence on production and trade during the Japanese period is clearly borne out by the figures of 1941-45. The six-month data available for 1945 indicate that the export value was P1,344,169 while that of imports was P57,867,195. Many of the plantations were left in a state of neglect and much harm was inflicted so as to leave the economy in a state of disrepair. The most serious of all was the monetary policy which lowered the value of the peso. The ill-effects of this system of financing has not been eradicated from the body economic even today.

The balance of trade during the period of Philippine independence has maintained a certain consistency—though very unhealthy—over the past decade. It has been adverse.

In this behaviour it has broken away from the customary trend displayed over the past one hundred years. An examination of the figures indicates a trend from a trade surplus to a deficit, while the structural pattern of the country has been experiencing greater expansion and wider diversification. This is a strange trend to say the least.

Philippine Export-Import Trade

1946-1954 (In peso value)

	Export	Import
1946	128,375,049	591,716,481
1947	531,096,804	1,022,700,608
1948	638,410,456	1,136,409,608
1949	511,700,704	1,137,387,208
1950	655,404,764	712,359,034
1951	831,484,057	959,032,606
1952	704,812,419	852,223,856
1953	801,229,510	894,678,748
1954	824,181,525	903,271,326

These figures indicate how the trade of the country has moved over the period of independence. The behaviour over the years 1946-49 was easy to anticipate, particularly due to the involuntary restriction imposed during the war years. However, it is perfectly clear that despite the import and exchange controls adopted from 1949, these corrective measures have failed to avoid the continuity of this trend. This trade deficit has been further intensified by a deficit on invisible account. As a debtor country we can hardly envisage an immediate improvement of this position. It is not unnatural, therefore, that a deficit both on visible and invisible accounts has led to an adverse balance on current account leading to a fall in the reserves. The position with regard to the balance on current account over the ten years is as follows:

Philippine Balance on Current Account

(In million pesos)

	1946-49	1950-53	1954	1955 (6 mos.)
Visible Account				
Exports	1,800	3,006	810	430
Imports	3,962	3,410	966	580
Balance of trade	-2,162	-404	-156	-150
Invisible Account				
Shipping & other serv.	-1,166	-820	-238	-46
U.S. Gov't Subsidy	3,392	1,252	280	150
Balance on current account	-236	28	-114	-46

As remarked earlier, this trend is very different from the trend during the Spanish and American periods. Besides, we suffer from the limitation that no comparison can be effected between the post-war period and the Spanish and American periods as there is no evidence as to the value of the outflow on invisible account from 1855-1941. But this need not seriously worry us as we are only concerned with the problems confronting the country today. The symptoms, however, are perfectly clear:

(a) Adverse balance of trade; (b) Adverse balance on invisible account; and (c) Adverse balance on current account.

What therefore are the causes for these symptoms?

(1) Japanese monetary policy; (2) Inadequate monetary policy to counter the ill-effects of the Japanese monetary policy; (3) A wage policy inconsistent with the stage of economic activity and economic development of the country; (4) A Minimum Wage Law which is not correlated to the technical efficiency of that factor of production and to the other co-efficients of factors of production; (5) High cost of living which precludes saving, capital accumulation, domestic and foreign investment; (6) A foreign investment policy which fails to check the out-flow on invisible account; (7) Absence of a wholesale and retail trade policy, which gives rise to a profit ratio disproportionate to the degree of risk associated with the enterprise; (8) An inelastic consumer preference for imports; (9) A system of import controls not sufficiently global in character as to reduce the intensity of the problem sooner; (10) Poor bargaining capacity resulting in adverse terms of trade; (11) Failure to adopt an expansionary policy or programme as to reduce the dependence on imports.

Of this plurality of causes contributing to the adverse balance on current account, the most significant to my mind is the high cost of living. The high cost of living has led

to the adoption of a minimum wage law. But as the productivity of labour in proportion to the other factors of production has remained the same, the marginal wage has been higher than the marginal productivity of labour. Even in instances where tariff protection has been given on the basis of the infant industry argument, the non-observance of this productivity principle has led to high costs of production resulting in high prices which lower the price differential between home manufactured and imported goods. This has been further aggravated by the poorer quality of the home manufactured goods relative to the imported goods which creates an inelastic consumer preference for the imported goods.

The reason for the high cost of living is due, in the main, to the control of the wholesome import trade by an alien group. In the alternative is the absence of greater competition in this sector. The absence of greater competition in the wholesome importation trade permitted the fixation of a price much higher than would normally prevail under keener competition, and a level of profit far out of proportion to the degree of risk associated with the enterprise. The high level of profits in the distributable trade encourages correspondingly the canalization of free money capital into the distributive sector thus attracting factors of production away from the producer sector; thus effecting an expansion of the retail trade at the expense of production. While subscribing to the principle that the wholesale and retail trade of the country should be in the hands of nationals without sacrificing efficiency of service, the expansion of the retail trade at the expense of production will not solve the basic problem of the country. It may even distort it so as to aggravate rather than alleviate the existing pattern. I do not know whether any law has been enacted or any measure implemented to avert this undesirable trend. As a matter of policy it is most important as it affects investment and employment. In looking ahead, one has to accept that the structural pattern is hopelessly unbalanced, leaning heavily on two major agricultural products—coconut and sugar. The quality of the copra is not the very best although it is claimed to be improving, while the cost of production of sugar is higher than that of its competitors, lowering its competitive ability in the international market. The other industries of significance are the number and the extractive industries. It would be quite untrue to contend that the production in these two sectors is increasing. What would really be more correct would be to state that the natural resources of the country are being depleted at a faster rate than hitherto.

What does emerge from this cursory analysis is (1) that the economy of this country is dependent on two predominant agricultural crops, a few extractive and lumber industries to pay for its imports; (2) that the imports consist of essentials and non-essentials; (3) that though the volume of the exports is increasing the adverse terms of trade prevents the value of the exports from rising correspondingly; (4) that the value of the exports is less than the value of the imports; (5) that we cannot correct the adverse balance on invisible account as we are a debtor country and have a trade deficit; and (6) that these two trends leave us with an adverse balance on current account, which in turn imposes a severe strain on our depleted reserves.

Theoretically, there are certain measures which could relieve the pressure of the trend for a while but they certainly are no cure to the problem at all. The government policy has been to impose controls and adopt an expansionary programme by deficit financing and an extension of domestic credit facilities. The magnitude of the latter has been in the proportion of one hundred million pesos in 1946 to P1,600 million in 1955. The effect of this expansionary programme is an increase in the volume of food production, export crops, lumber and extractive industries.

Food Production

(In thousand metric tons)

	1948	1955
Rice	2,240	3,200
Corn	520	770
Fruits & Nuts	180	640
Root Crops	520	1,200

Minerals and Lumber
(In thousand metric tons)

	1949	1954
Iron Ore	370	1,425
Chromite Ore	247	451
Manganese	26	23
Copper	7	14
Timber (Mill. bd. ft.)	1,055	1,533

Deficit Financing
(In million pesos)

	1950	1951	1952	1953	1954	1955
Total revenue	346	481	709	631	671	799
Total expenditure	558	531	655	655	811	831
Surplus			54			
Deficit	212	50		24	140	32
Public debt	861	927	794	1,073	1,097	1,258

These tables serve to illustrate how the expansionary programme has been financed and the physical increase in the volume of production of the commodities considered.

Despite this heroic attempt to stem the tide, the adverse balance on current account has continued, although the deficit on current account has been narrowed gradually. It can be argued by the defenders of government policy that the measures adopted have proved successful. The fall in the size of the deficit could be cited as the proof of the success. I do not think I can share their enthusiasm, because the policy has not really succeeded. Although the temporary expedients adopted have been of help, the malaise still remains. My contention could be illustrated by a simple analogy. If there is a leak in a tank, the holes could conceivably be plugged but it certainly does not imply that the leaks have been sealed to do away with the temporary plugs altogether. The moment the government relaxes its controls the ugly features of the body economic would reappear, and perhaps with clarity. If this does happen, as I feel it will, then obviously the so-called correctives would turn out to be, not correctives in the true sense of the word but really temporary expedients which have failed to establish their potency over the period concerned. It may be argued further that ten years is much too short a time to make an appraisal of the efficacy of the policy followed, and therefore, any criticism is quite inadvertent.

My contention is: (a) that the diagnosis of the causes of the problem is wrong; (b) that certain clauses of the Laurel-Langley Agreement tend to intensify the problem in the short run; (c) that the ill effects of the expeditious measures followed in the short run will be so intimately woven into the body economic as to delay if not negate the realization of the objective even in the long run; (d) that the expansionary programme has not been well-planned.

In formulating an economic policy for the Philippines, I should stress the significance of lowering the cost of living as the primary objective of the government. The reason for my contention is, that the reduction in the cost of living would reflect on the real wages and money wages so as to lower the costs of production, lowering prices, increasing the volume and value of imports. An increase in competitive ability would imply wider markets and possibly better terms of trade leading to further expansion that would make possible a balanced structure. If the increase in value is sufficiently large, it could create an export surplus that permit a favourable balance of trade. An increase in the value of the trade surplus, would tend to lower the deficit on invisible account, if not correct it so as to leave a positive on current account. A positive on current account would naturally release free money capital for domestic and foreign investments. The domestic investment will stimulate further production leading to greater diversification. Should the diversification be in such direction as to lower the propensity to import particularly food, textiles, paper and tobacco, then the multiplier effect consequent to domestic investment would imply fewer leakages and/or lower the strain on the reserves, releasing, meanwhile, sufficient capital for the secondary and tertiary effects of the primary investment. The cumulative effect would be expressed in greater capital accumulation. In the foreign sector, a positive on current account could lead

to foreign investment, leading to an inflow of profits, interest, dividends that would reduce the volume of outflow on invisible account.

In looking ahead, we have to determine if the current trade policy embodied in the Laurel-Langley Agreement makes possible a favourable balance on current account.

The primary objective of the trade agreement between the Philippines and America seems ostensibly to reduce the dependence of the Philippines on America through a system of sliding scale tariffs and to permit a freer flow of foreign investment by abolishing the exchange tax on the outflow of dividends, profits, remittances, etc.

The argument that to stimulate or attract foreign investment the exchange tax should be dispensed with is possibly based on the contention that necessary incentives need to be provided to permit a flow of investment which the Philippines needs so much. I think there is much of western countries' experiences during the nineteenth century brought into this analysis. While accepting this as a broad principle, I am skeptical if this is true of the Philippines. It is quite likely that the primary objective of the Laurel-Langley Agreement is realizable provided the technical efficiency of the respective industries increases annually, but the abolition of the exchange tax could well intensify the balance of payments problem as to negate or delay considerably the realization of a favourable balance on current account. Secondly, the Laurel-Langley Agreement has tried to make good the loss on invisible account by the imposition of a special tax of 17% on certain imports. This may be good arithmetic but very bad economics.

If we accept that the high cost of living is responsible for the present malaise, then any measure which pushes up the cost of living would defeat the very objective we are trying to achieve. Furthermore, it would act as a positive check to further production. Looking therefore at the clauses of the Laurel-Langley Agreement from the viewpoint of the problems confronting the country, one observes that it fails to secure what is so vital to the future stability of the body economic. Correspondingly, the investment policy which led to the abolition of the exchange tax has to be changed. The line of action one could suggest asks that:

(a) The loans be raised at the government level; (b) that technical personnel be employed by the private firms through the corresponding counterparts in the foreign country. This would assure that the personnel so recruited are reliable and efficient; and (c) the technical personnel so employed be paid in the currency of the country of their origin. This does away with the onus of paying them in American dollars, and in turn will reduce the strain on the reserves of this country.

My objection to the present system is that it fails to give an adequate rate of return for the natural advantages the country possesses. Secondly, it leaves the ownership of the means of production in the hands of aliens and encourages the alienation of the factors of production and the natural resources. To encourage the inflow of capital on the present basis is to perpetuate if not intensify the balance of payments problem. Should the total value of the exports increase by depleting the natural resources without a corresponding improvement in the various stages of manufacture—until such time, as we are able to manufacture the finished product—the country would be living on its future potential. This, to say the least, is sheer prodigality.

All that can be said of the Laurel-Langley Agreement is that it may lead to—

(a) The Philippines seeking other outlets of trade. But whether the Philippines in the process would become more efficient is difficult to establish. (b) The abolition of the exchange tax could lead to an increase in the investment by foreigners but does not lead to the ownership of the means of production by the nationals of this country, and therefore, does not solve the problem on current account. This implies a further drain on the reserves of the country. In looking ahead, the Laurel-Langley Agreement does not solve the problem.

Concerning the reparations from Japan, the agreement has the unique distinction of being delightfully vague. On closer examination there are certain omissions which may be mentioned in passing:

(a) Absence of a gold clause; (b) Absence of a clause which safeguards against the possible depreciation of the currency in terms of which the agreement has been signed; (c) No mention as to the quality of the goods that are to be delivered. If the necessary precautions have been taken, what particular court of appeal would have the power to adjudicate in case of dispute?

These observations apart, the reparations, in its final form, amounts to \$550 million. This is equivalent to one-seventh of the national income of the Philippines. This payment is to be spread over twenty years at \$25 million during the first ten and \$30 million over the next ten years.

Progress in the Philippines

By Dr. Gregorio Zaide

(Professor, Far Eastern University, Manila)

Communication and Transport

Philippine communication and transportation which were destroyed during the war have been rehabilitated by the Republic. The pre-war roads, bridges, railway lines, radio stations, telegraph offices, airfields, piers and harbor installations, and submarine cable systems have been repaired, and new ones built. Recent innovations in communications are the overseas radiophone, teletypewriter circuit, land mobile radio stations, television, and radio center. The "Radio Center, Philippines", most modern of its kind in Southeast Asia, was inaugurated in Manila on February 5, 1956. Patterned after the National Broadcasting Company of America, it operates three studio theatres and seven "floating" studios.

Before the war, there were in the Philippines 24,000 kilometers of roads and 5,351 bridges. Now there are more than 30,000 kilometers of roads (including barrio roads) and more than 10,000 bridges. Total number of motor vehicles, cars, trucks, station wagons, and motorcycles) in 1941 was 56,000; now it is about 150,000 (including new types of motor vehicles, such as jeeps, jeepneys, trailers, and scooters).

The two railroad systems in the Philippines—Manila Railroad Company in Luzon and Philippine Railway Company in Visayas—were ruined by the last war are now better than ever. The year 1956 marks "the new era of railway dieselization in the Philippines" because of the introduction of speedy and sleek diesel-electric trains, replacing the pre-war sooty, coal-burning locomotives. In 1954 the northern line of the Manila Railroad Company was extended to Bacnotan, La Union. Expansion plans are now under study to extend further the railroad across the Cagayan Valley to Aparri.

Amazing progress has been made by the Philippines during the first decade of the Republic in air transportation. Since 1946 the pre-war airfields have been rebuilt, and new ones constructed. In 1949 the Philippine Air Lines (PAL), expanding its operations owing to government subsidy, entered the international air business. Its Sky-masters, bearing the Filipino flag, made weekly flights to the cities of Asia, Europe, and America, and daily flights to key points in the Archipelago. Within a short time, the PAL aroused global attention because of the efficiency of its services and the flight records of its planes. It won international rating as "one of the best airlines in the world." Unfortunately, in 1954, shortly after the disastrous crash of its Rome-bound plane on Italian soil, the Republic withdrew its subsidy, and the PAL authorities were forced to stop all air business with Europe and America. Presently, the PAL maintains regular flights to all parts of the Philippines and to Hongkong, Taipei, and Bangkok. The Manila International Airport is an important link in international air routes. Planes from all parts of the world call regularly at this Asian airport. In 1954-55, it handled 4,412 aircrafts and 94,000 passengers.

Shipping, unlike air travel and land transportation, has made little progress since 1946. This is caused by government apathy and the world-wide shortage of bottoms. Overseas shipping is still monopolized by foreign steamship lines. There are only 12 Filipino-owned vessels operating in overseas shipping. River and inland sea transportation is still below pre-war level.

The most pertinent question to ask would be whether this sum could be so canalized as to solve if not reduce the intensity of the balance of payments problem. Of the series of questions that could be raised I would confine myself to asking the question whether the cost of living could be lowered by a judicious utilization of these funds. I think it could be.

The cost of the essential consumer goods per year totals up to P110 million. If the P50 million of the first year could be utilized for this specific purpose, it implies that the cost of the essential commodities could be reduced by almost fifty per cent. This line of action would have the advantage of stimulating production through costs of production, which implies economic expansion and a stimulus to further employment. To my mind, this would solve the immediate problem and enable this country to achieve a more balanced structure which really should be the primary objective.

Population and Labor

One of the assets of the Philippine Republic is its ever-increasing human resources. Total population in 1941 was 16,971,100. Despite the 1,111,938 civilian casualties during the war, it increased to 18,846,800 in 1946, to 19,234,182 in 1948, and to 22,360,100 in 1956. Philippine population increases by about 500,000 a year, so that by A.D. 2,000 it may reach 55,000,000. There is no fear, however, of overpopulation in the foreseeable future because the Philippines can comfortably support a population of 80,000,000 or more.

Philippine labor force in 1955 totalled 8,441,600 out of an estimated population of 21,943,200. Of this labor force, 1,983,000 are unemployed. Since 1946 unemployment has been on the upsurge. Neither President Roxas (1946-48) nor President Quirino (1948-53) could halt its soaring trend. Until the present time (1956), the rank of jobless persons continues to swell, having passed the two-million mark, because the job opportunities cannot keep pace with the fast growing labor force. To meet the challenge of the worsening problem of unemployment, President Magaysay adopted a "Five-Year Economic Program" (prepared by the National Economic Council in 1954 and updated in 1956) to increase production and to provide employment for the jobless. Time will tell whether he can succeed to solve the current unemployment problem or fail like his predecessors.

A sunny aspect of the Philippine panorama is the tremendous progress made by free labor during the last ten years. Nowhere else in Asia has labor won so many rights and privileges as in the Philippines. The Minimum Wage Law provides a daily minimum wage of P4 for industrial laborers and P2.50 for agrarian workers. The Magna Charta of Labor recognizes the laborers' right of collective bargaining and penalizes the employers found guilty of unfair labor practices. Another pro-labor legislation prohibits labor on Sundays, Christmas Day, New Year's Day, Holy Thursday, and Good Friday.

Inspired by the pro-labor policies of the Magaysay administration, the Filipino laborers have become more assertive of their rights than ever. For better bargaining power, they organize labor unions. In 1953 there were 823 labor unions with a total membership of 200,000. Two years later the labor union increased to 2,319 with 750,000 members.

Health

The state of the nation's health is excellent. Since 1946 there have been no epidemics of cholera, plague, smallpox, and other dreadful diseases. The mortality rates from tuberculosis, dysentery, and typhoid have been considerably reduced. However, cancer, snail fever and cardio-vascular diseases are taking a heavier toll of human victims than in prewar years. A unique disease which afflicts only Filipino males between the ages of 25 and 40 is the so-called *bañguñgut* (nightmare). Apparently, it is a national ailment. No foreigner has ever been known to be its victim. So far, medical science does not know its cause. According to popular gossip, the cause of *bañguñgut* is too much eating before retiring to bed; hence, the only cure is to eat less before sleeping time.

Before the war, 19 persons died out of every 1,000; now, only 10 die out of every 1,000. Again, in 1941, the average Filipino life-span was 45 years; now it is 55 years. The favorable trend of the nation's health under the Republic is due to various factors, as follows: (1) the national health policy of the government, as shown by the expansion of hospitals and clinics, the establishment of rural health units in the barrios, and the construction of artesian wells to furnish clean water to the rural folks; (2) the improvement of the Filipino diet brought about by the use of "enriched" rice (polished rice with Vitamin B-1 mixtures); (3) the dissemination of better health habits through the schools and more sports; and (4) the technical and financial assistance given by the ICA, UNICEF, WHO, and other agencies.

Education

There was phenomenal progress in education during the first decade of Philippine independence. In 1946 public school statistics showed the existence in the Philippines of 12,000 public schools (elementary, secondary, vocational, and collegiate levels), 47,000 teachers, and over 2,500,000 pupils. In 1955 the figures rose to 25,631 public schools, 96,548 teachers, and 3,535,256 pupils.

The growth of private education is even more amazing. In 1945-46 there were 600 private schools (kindergarten, elementary, secondary, and collegiate) with a total enrollment of 99,320 students. Ten years later, in 1955-56, the private educational institutions totalled 1,896 with a total enrollment of 737,141.

There are now (1956) in the Philippines eighteen universities. Oldest of all Philippine universities is the University of Santo Tomas (founded by the Spanish Dominican fathers in 1611), which is older than Harvard University by 25 years. The only state university is the University of the Philippines at Quezon City. The largest Philippine university is the Far Eastern University, the biggest in all Asia, with a total enrollment of 24,172 in 1955-56.

Significant improvements in the educational system have been made by the Republic, such as (1) the vocationalization of the public schools, (2) the adoption of the community school program which integrates the children's education with community welfare, (3) the implementation of the optional religious instruction in all public schools, (4) the closing of substandard private schools, popularly called "diploma mills"; (5) the use of vernaculars as media of instruction in the public elementary schools, (6) the enforcement of the compulsory primary education of all children of school age, as provided for in the Constitution of the Philippines, and (7) the promotion of Filipinism, as evidenced by the teaching of lives of Filipino heroes, history, and traditions and the holding of flag ceremonies and patriotic programs in all schools.

Magsaysay

The Philippines has been fortunate to have had three good Presidents during the first decade of her independence, to wit: Manuel A. Roxas (1946-48), Elpidio Quirino (1948-53), and Ramon Magsaysay (1953-). President Roxas, brilliant barrister, former Speaker of the House of Representatives, and ex-USAFCE brigadier general, was a statesman of the Metternichian school, energetic and eloquent. He began the mighty task of rehabilitating a ruined economy out of the ashes of war and set up the political structure of a new-born republic. A worthy successor of Roxas, President Quirino, a former barrio school teacher, lawyer, senator, and Roxas' Vice-President, was a clever politician of the Machiavellian genre, suave in manners but pompous and extravagant. He carried on the unfinished work of national reconstruction and achieved high prestige abroad for the young republic because of his sound foreign policies.

Greater than his two predecessors, President Magsaysay, former mechanic, guerrilla fighter, and congressman, is a classic type of Filipino manhood—sturdy, courageous, sincere, and modest. He is a dynamic man of action, an ardent champion of the masses, a valiant crusader of democracy, and a fearless opponent of communism. No wonder, foreign observers call him "the most inspiring leader of freedom in Asia." More than this, he is the shining symbol of the Republic of the Philippines. Magsaysay first won the affection of the Filipino people and the plaudits of the free world in 1950-53 when, as a fighting Secretary of National Defense in President Quirino's Cabinet, he smashed the backbone of communism in the Philippines by a dual policy of "bullets and agrarian reforms", and prevented the chronic commission of frauds and terrorism in the election of 1951, which was acclaimed as the "cleanest election" since the founding of the Republic. In the presidential election of 1953, he was elected President of the Philippines by the greatest majority vote ever recorded in the annals of Philippine elections. Not even the great Manuel L. Quezon, at the zenith of his power, has won such affection of the people, especially the rural folks, as Magsaysay.

Magsaysay as president has proved himself worthy of a nation's admiration. Gifted with the common touch, he dignified the lowly *barong tagalog*, the poor man's apparel, into a formal dress. He wore it at his inaugural ceremonies, being the first President of the Philippines to take his oath of office being dressed in native attire. Now the *barong tagalog* has become a truly national dress, and it is worn by men in the farms, in the factories, in the schools and universities, in the courts, in the business offices, in government offices, and in Malacañang. He makes frequent trips to the barrios to find out the needs of the rural population, sometimes holding Cabinet meetings there, thus bringing the government closer to the people.

His rural development program has helped immensely to accelerate economic progress as well as to ameliorate the conditions of the working masses. "We believe," he told a joint session of Congress on January 23, 1956, "that what is good for the common man is good for the whole country. Every policy of our Administration has therefore been directed to his welfare". Accordingly, he promotes the construction of artesian wells and irrigation systems, prohibits the indiscriminate slaughter of carabaos, extends health and educational facilities to the barrios, distributes lands to the landless, encourages the youth of the nation to return to the farms, and does everything within his power to increase the nation's agricultural and industrial production.

Since assuming the presidency in 1953, he has restored the people's faith and confidence in the Republic which had waned during the previous Liberal regime of "anomalies and corruption." He revives efficiency and honesty in government service, bans nepotism, appoints young army officers and college professors to key government offices, and inspires all public servants to serve the people with a "missionary zeal."

In President Magsaysay, America finds her staunchest ally in Asia. After crushing the communist Huk movement, he introduced various land reforms which have stolen the thunder out of the communist propaganda and satisfied the hitherto exploited rural folks, thereby strengthening democracy's hold on the people's minds. He vigorously supports America's policies in Asia because of his sincere belief the new free nations of Southeast Asia, Free China, and Japan can best resist the surging tides of communism with American aid. It is, of course, to America's best interests and security to stop the Red menace in the Asian littoral, where her first line of defense is now situated.

Admittedly, certain mistakes have been committed by President Magsaysay in his administration. These are mistakes which inevitably arose due to his inexperience in statecraft, his youthful impetuosity, and the bungling advices of some confidantes. But it cannot be denied that his good achievements far outweigh these mistakes, so that the country prospers and the people are contented and happy.

Foreign Affairs

The Republic of the Philippines is one of the small sovereign nations, but it enjoys big prestige in world affairs. It was one of the signatories of the Charter of the United Nations which was signed at San Francisco on June 26, 1946. As an active member of the UN, it has participated in many issues of global significance, such as the Berlin Blockade, the Palestine Problem, the Indonesian Question, the Korean Problem, the Vietnam Issue, and the Atom-For-Peace Program. The Republic is a member of UNESCO, ICAO, ILO, ITO, FAO, ECAFE, UNICEF, WHO, and other UN auxiliary organizations. It sends delegations to the annual conferences of the bodies of the General Assembly of the UN, and to other conventions of various other international organizations. At these annual conventions or conferences, the Filipino flag flies side by side with the flags of other nations, as it did during the World Olympiads (in London, 1948 and in Helsinki, 1952), the Asian Games (in New Delhi, 1951 and in Manila, 1954), and the World Basketball Tournament (in Brazil, 1953). The Philippines maintains consulates, legations, and embassies in most foreign countries.

In the current struggle for democracy's survival in Asia, the Philippines is playing a leading role. Of all Asian nations, she is the only one which has successfully checked communism within her borders. As early as 1950 the Philippines took the initiative to counteract the communist peril in Asia. Upon President Quirino's invitation, seven Asian nations—Australia, Ceylon, India, Indonesia, Pakistan, Thailand, and the Philippines—met at the "Baguio Conference of 1950" (May 26-30, 1950), and their delegates exchanged ideas on common problems affecting their own countries. On June 25, 1950, a month after the Baguio conference, the Korean War broke out. The Philippines, in response to the call of the United Nations, rushed troops and supplies to the invaded Republic of Korea. The Filipino soldiers demonstrated their valor in combat against the communist hordes, especially at Yultong

where Lt. Jose Artiaga, Capt. Conrado D. Yap, and other men of the fighting 10th Battalion Combat Team perished during the bloody fray on April 22-23, 1951. After three years of war, the Panmunjom Truce was signed, July 27, 1953, with the Philippines as one of the signatories.

At war's end in Korea, the Chinese communists struck in Indochina, helping Ho Chih Minh's Red forces against the French. With the fall of Dien Bien Phu on May 7, 1954, French rule collapsed. On June 19th, the Geneva Agreement was concluded, ending the Indochina War and dividing the country along the 17th Parallel into Free Vietnam (South Indo-China) and Communist Vietnam (North Indo-China). Immediately after the cessation of hostilities, the Philippine Jaycees launched a humanitarian movement "Operation Brotherhood" to help the the unfortunate refugees in South Vietnam. This Philippine-sponsored movement became a global project of all Jaycee organizations in 60 countries.

President Magsaysay, emerging as Asia's champion of democracy, endorsed on February 3, 1955 President Eisenhower's policy to defend Formosa against any communist attack. On July 15 of the same year, he recognized the new Republic of South Vietnam under Ngo Dinh Diem.

Upon his invitation eight free nations of Southeast Asia and Southwest Pacific — Australia, France, New Zealand, Pakistan, Thailand, United Kingdom, United States, and the Philippines — met in Manila on September 6-8, 1954 and established the SEATO (Southeast Asia Treaty Organization) for mutual protection against communist infiltration and subversion. This conference, officially designated "Manila Conference of 1954," also adopted the Philippine-sponsored "Pacific Charter" which recognizes the "principles of equal rights and self-determination of peoples" and binds all SEATO members to promote peace and freedom in Asia. To strengthen the ties forged in Manila, the eight SEATO nations met in Bangkok on February 23-25, 1955 and in Karachi on March 6-8, 1956. While the SEATO diplomats were discussing plans in the conference halls, the military

strategists were busy building up the SEATO defenses. On February 15-18, 1956, the SEATO armed forces, including 650 Filipino troops, conducted military maneuvers "Operation Firm Link" in Thailand.

The Philippines also participated in the Bandung Conference (April 18-24, 1955) which was attended by 29 Afro-Asian nations representing 1,400,000,000 — more than half of mankind. This was a unique international conference because it was the first conference of African and Asian nations in history. The United States, Great Britain, Soviet Russia, and other Western powers were excluded. The historic Bandung Conference, under the direction of President Sukarno of Indonesia, conducted its proceedings with parliamentary dignity and harmony.

Prospects

As the Republic of the Philippines completes its first decade of existence, it has every reason to be hopeful of the future. Its basic problem of building a balanced economy is being successfully solved. Economic conditions in the archipelago are incomparably better than they were a decade ago. Agriculture and industries, foreign and domestic trade, banking and credit facilities, and local and foreign investments are on the uptrend. The country's abundant resources and adequate supply of manpower are capable of greater capital investment and more economic prosperity. As of 1956, the national income of the Republic is estimated at P10,000,000,000 which is five times that of the prewar figure. The state of the nation's health, the status of labor, the condition of the educational system, and the government itself are in good shape. There are certain dark spots in the overall picture of the Republic. But such economic, social, or political deterrents which may exist, are certainly not too serious in nature and scope to invalidate the general progress and prosperity that the Philippines presently enjoys. Thus the 1956 report of the First National City Bank of New York concludes: "Seen from abroad, the Philippines is one of the most stable, economically and politically, of the new sovereign nations of Asia." Now the young and robust Republic of the Philippines is on the threshold of its second decade, full of confidence in a prosperous future.

The Tariff as an Instrument of Philippine National Policy

By Montano A. Tejam

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The use of the tariff has gone far from the time it was first conceived as a form of tribute levied on goods crossing another country's boundary. Today, it is not limited to the raising of revenue, but, as one authority has said, "may at times be even employed for other purposes, such as the promotion of industries needed in time of war, the offsetting of foreign tariffs, and the granting of temporary stimulus to industry."

The present tariff of the Philippines is basically the same tariff act that was passed by the American Congress on August 5, 1909. Its objective of raising revenue for the government has been substantially negated by the free entry of American articles, as a result of which the revenue from customs duties averages 6 per cent only of the total income from taxation. This duty-free treatment for American goods has, together with other factors, developed a lop-sided agricultural economy, made the country dependent on foreign sources for even the most simply processed or manufactured goods, including essential commodities, clothing, medicines and building materials, provided no incentive to the establishment of industries and afforded no protection to those already in existence.

Discrepancy in Existing Tariff Rates

A historical study of the rates of duty in the present tariff has shown that they were conceived with the intent of establishing preference for American articles as against non-American articles in the Philippine market. No logical relation exists between the level of duties on raw materials, semi-finished products and capital goods which are needed by

the local industries on the one hand, and those on finished articles on the other. There are many instances where the rates of duty on raw materials and/or capital goods are higher than those on the finished products. This anomalous situation has encouraged the importation of finished articles rather than the local production or manufacture thereof. One example is that of lead pencil. While the duty on finished pencils is 15 per cent ad valorem [par. 63, Philippine Tariff], the capital goods used in their manufacture, such as tin-plate rings [par. 44 (a)], and raw materials thereof such as graphite [par. 65], wood bodies [par. 160] and erasers [par. 290], are subject to 15, 25, 35, and 25 per cent ad valorem, respectively. In order to promote the establishment and development of domestic industries, the rates of duty on competing foreign articles should be sufficiently high. Furthermore, there should be no duties at all or only low rates of duty on imported raw materials needed by such domestic industries but not available locally.

Under the 1946 Trade Agreement, it has been difficult if not impossible to establish and develop domestic industries. The Philippines could not readjust its economy to meet and assume the obligations of an independent state owing to the unsatisfactory conditions under the said Agreement. It is a tribute to the sense of justice and spirit of fairness of the American people that they have consented to the elimination of these basic inequalities in the Philippine-American trade relations provided under the 1946 Trade Agreement. Since January 1, 1956, American articles have been subject to increasing duties, starting at 1/4 of the ordinary customs duties for the initial period of three years. The accelerated increase

in the imposition of duties on American goods will place the Philippines in a position to give tariff protection to domestic articles against American competition. This is just the initial step in the right direction to "strengthen the economy of the Philippines so as to enable that Republic to contribute more effectively to the world".

Implementing the Laurel-Langley Agreement

The Laurel-Langley Agreement in itself does not suffice to create a healthy climate for the industrial growth of the Philippines. Implementing measures on the part of government are needed lest the benefits which it is expected to bring to the country will be realized. A thorough revision of the defective and antiquated Philippine tariff with the main objective of making appropriate changes in the rates of import duty so as to encourage the establishment and development of an increasing number of local industries and afford them protection against foreign competition demands immediate attention. Industrialization will diversify Philippine economy and make it less susceptible to the uncertainties of world market fluctuations. It will help relieve the acute unemployment problem by creating more job opportunities and increase the income of the people.

Advantages of Foreign Producers

In the transition of an agrarian economy to one that is balanced and stable, with emphasis on industrialization, the Philippines will have to compete against highly industrialized countries which enjoy tremendous advantages in the form of (1) long experience in commerce, (2) well-established business connections, (3) advanced technology and know-how in production, (4) the economy of mass production methods, (5) incentives afforded by their government or private organizations in production and trade, (6) the service of large and efficient merchant marine, and (7) protective tariffs. Add to these adverse factors our proximity to countries with an abundance of cheap labour and one will at once visualize the problems and difficulties that face our industrialization program. There is need, therefore, for action—for quick and effective action.

The handicaps faced by the Philippines and its industrialization program may be overcome or minimized through (1) the imposition of high and protective tariff rates on imported products which compete with locally produced articles and (2) the duty-free entry or the imposition of low tariff rates on raw materials, semi-finished manufactures, and other capital goods needed by local industries in their productive process, which are either not available locally or the local supply of which is inadequate or not of the desired quality. A special committee of Congress has completed the task of revising the present tariff to synchronize it with the industrialization program.

Protective Tariff Rates

The policy of imposing high and protective rates on articles that are being produced locally should be on a selective, not on an indiscriminate, basis. It should be limited to industries that are technically and economically justifiable to maintain and are in a position to supply the local demand as well as any feasible foreign market in the future. Under the benign climate of protection it is believed that such industries can develop their organization, improve their technique, and attract the necessary capital.

The degree of protection that is to be given a local industry should be at an amount justified by the circumstances. It is believed that an industry during its early, formative years would need considerable protection. In the course of time, as local producers gain experience, improve their production techniques, and increase production and sales, they may need less and less protection. In all cases and at all times, however, the degree of protection which should be afforded local industries should be adequate to enable them not only to continue to remain in business but also to expand production and meet fair foreign competition. The side of the consumer under a policy of protection is also another important factor that should properly be taken into consideration. On prime and essential commodities, such as food and medicines, that

are not produced locally, low rates should be imposed to make them available at low cost to the masses so as to enable them to maintain an adequate standard of living. There is need also for conserving Philippine foreign exchange reserves in order that they could be channelled into essential imports. Consequently, the rate of duty on essential articles not produced locally should be reasonably low, but those on non-essential articles should be much higher.

The Flexible Clause

To implement these objectives, it is essential that the "flexible clause" should be made a permanent feature of a revised tariff. This was provided for under Republic Act No. 1196 under which the President, upon prior investigation by and recommendation of the Tariff Commission, could increase the rates of duty to not more than ten times or decrease them by not more than 60 per cent in the interest of national economy, general welfare or national defense. This Act, however, expired on December 31, 1955.

It is suggested that the authority of the President should be broadened as follows: (1) the fixing of import quotas, (2) the changing of the tariff classification of the articles, (3) the reduction of the rates by not more than 90 per cent, instead of only 60 per cent and (4) a provision that this authority of the President should be permanent or at least for a period of not less than five years. Progressive countries of the world have such authority vested in the executive branch, assisted by a non-political and highly technical office. As early as 1936, the late President Quezon foresaw the wisdom of providing for a flexible clause in our tariff because the general revision upwards of the tariff "might result either in insufficient protection to local enterprises or in unwarranted increase in the cost of living." In his message to the National Assembly on September 17, 1936, recommending the passage of House Bill No. 2336, which contained the flexible clause, he said:

"... this difficulty could be obviated by the prompt use of a flexible clause increasing the rates when protection is necessary and decreasing them when advisable."

In the event of rampant profiteering and hoarding, the President may decrease the rates of duty by as low as 90 per cent of the existing rates to encourage importation and thus create abundant supply of the commodity to lower its price. In the case of a foreign article whose cost of production has decreased due to increased efficiency, the rate of duty may be raised so as to protect the locally produced article from ruinous competition. If, in spite of the increased rate, the foreign article continues to undersell the domestic article, then the President may impose quantitative restriction on the importation of the competing foreign article to avoid harm or injury to the local industry in the interest of national economy, general welfare or national defense. The foreign exchange controls were imposed six years ago as a means of curbing unnecessary dollar expenditures for luxuries and other non-essential goods. Through the "flexible clause", the President could provide the necessary incentive towards the importation of essential goods and away from the importation of non-essential articles which give no lasting benefit to the country and the people.

The proposed revised tariff (H. No. 5513) is now pending consideration in Congress. In the meantime, the President, under the powers vested in him under Republic Act No. 1196 has provided the right climate under which domestic industries could thrive and prosper by the issuance of Executive Order No. 150 one day before the Act expired last December 31, 1955.

Trade Agreements with Foreign Countries

Another existing law needs special mention. Republic Act No. 1189 authorizes the President to enter into trade agreements with foreign countries and to effect the necessary changes in the rates of import duty by not more than 50 per cent of the existing rates. This law provides an opportunity for the Philippines to exchange tariff concessions with countries other than the United States and thereby develop mutually advantageous trade relations with them. It should be borne in mind that under the Laurel-Langley Agreement,

within 18½ years, all tariff preferences between the Philippines and the United States shall be completely liquidated. Henceforth, the Philippines and the United States will treat each other as each now treats third countries. Even now, therefore, without losing sight of the United States as a market, the Philippines should seek to develop and expand trade relations with countries other than the United States.

No trade agreement has as yet been entered into pursuant to this Act, which is to expire three years from June 20, 1954. In the Third Round of Tariff Negotiations under the General Agreement on Tariffs and Trade at Torquay, England, in 1950-51, the Philippines negotiated and concluded trade agreement with 16 countries involving the reduction of certain tariff rates. Due to the impending revision of the 1946 Trade Agreement and that of the Philippine Tariff Act of 1909, the results of said negotiations have not been submitted to the Senate for ratification. The thirty-four (34) contracting parties to the General Agreement on Tariffs and Trade at that time accounted for four-fifths (4/5) of the world's imports and exports.

After the tariff revision now going on is completed by the enactment into law of a revised tariff and the effectivity of the Revised Trade Agreement on January 1, 1956, it would benefit the country's economy to take advantage of the world's movement towards a freer world trade and negotiate with countries other than the United States for mutual tariff concessions under the unconditional most-favoured-nation clause. We believe that we should renegotiate for tariff concessions inasmuch as the results of the Torquay tariff negotiations are now deemed to be obsolete. We can participate in the next round of tariff negotiations under the General Agreement on Tariffs and Trade to obtain favourable markets for our export crops and grant tariff reduction on articles that are needed in our economic development and which could be obtained elsewhere than the United States at cheaper price. This is not inconsistent with a high and protective tariff, as tariff concessions will be on a selective basis. The high and protective rates of a revised tariff will serve as a weapon to obtain tariff concessions in all negotiations and agreements that may be concluded. In the General Agreement on Tariffs and Trade a contracting party, under its "escape clause," is permitted to suspend or modify any concession granted, if as a result of unforeseen developments and of the effect of the obligations incurred, a product is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers. Although the

United States has not acted one way or another on the General Agreement on Tariffs and Trade, it has been negotiating under the authority of its Trade Agreements Extension Act, which has been extended from time to time. The same provision should be incorporated into our revised tariff.

Special Customs Duties in Addition to Regular Duties

To complement the protective features of a revised tariff, it must contain provision on (1) dumping and (2) the imposition of countervailing duty. While the former is provided for under Republic Act No. 32, it must be thoroughly revised to facilitate investigation and the disposal of dumping cases. The investigative and recommendatory functions should be lodged in a separate and full-time office and its functions should be harmonized with the present system of foreign exchange allocations. We have no law providing for the imposition of a countervailing duty. The direct or indirect grant of a bounty or a subsidy is the usual practice resorted to by foreign countries to nullify the main purpose of a protective tariff rate in the importing country. In order that the original measure of protection afforded local industries will remain at the height intended, a countervailing duty equal to the amount of such bounty or subsidy granted to a foreign article should be imposed, in addition to the ordinary customs duty. However, its imposition is on the condition that the importation of the foreign article will materially injure an established industry or prevent or considerably retard the establishment of an industry in the Philippines. There is nothing in the Laurel-Langley Agreement, which is the basis of a new Trade Agreement between the Philippines and the United States, which bars the Philippines from imposing dumping or countervailing duties on United States articles. In fact, it is expressly permitted.

Conclusion

All the countries of the world, whether the strong and the highly industrialized or the weak and the underdeveloped, have looked upon the tariff as an instrument of national policy to develop and protect their national economy and promote the general welfare. Most of the highly industrialized countries of the world now trace their progress from the selective protective tariffs they imposed in the past. Many of them still imposed protective tariffs for their industries. The Philippines, if it desires to industrialize its economy, can and should do no less.

The Psychology of the Filipino People

By Dr. Isidoro Panlasigui
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If we Filipinos differ from other peoples, and certainly we do, we differ in the pattern of our national or cultural personality and in the same manner Pedro's personality differs from that of Pablo. These differences in personalities are due in a large measure to heredity, natural and technical environment, and training or education. From the standpoint of heredity we are similar to the Indonesians, but in personality pattern we are unlike the Indonesians for the simple reason that we differ in environment and training. The Indonesians were kept in the complacency of the primeval culture of their ancestors. The Filipinos were made to develop their own culture side by side with the fast-developing cultures of the progressive peoples of the world.

The Spaniards tried to make us entirely of the East in the same manner as the Dutch and the English did to their colonial subjects. They punished us. They brutalized us. They ridiculed us. But the Filipino soul refused to be cowed. We wanted to share the blessings of education and freedom. The Americans tried to make us of the West. They taught us. They befriended us. Again the Filipino soul refused

to be alienated from its ancestral mooring. We do not want education without the blessings of freedom. Now we are a free people. And we can proudly say that we are both of the East and of the West.

Although we are similar to other peoples, even in the pattern of our personality, we differ in the same manner that in several prints of the same picture, the color of an object in one print may be brighter or darker in another print. To enumerate a few of our people's outstanding or obvious personality traits, let us first mention that which had enabled us to weather through the storms of history, from chief Lapulapu to President Magsaysay—namely, loyalty. It is loyalty that had kept our family solid, the barangays, individually strong and united. In the early years of the Spanish rule, there was no loyalty to the Filipino people, for then there was no Filipino people. Nevertheless, there were loyalties to the different barangays, loyalties which, when united, gave birth to what we now call Filipino nationalism. When this loyalty was young, it was lusty and strong. And as it gathered momentum it united the peoples—Tagalog, Ilocanos, Visayans,

Pampango, etc.—to fight for liberty and freedom from the Spanish iron rule. This loyalty to the principles of freedom was first timidly, but certainly, voiced by the three Filipino martyrs—Burgos, Gomez and Zamora, it was voiced more strongly and distinctly by Rizal; and was finally put into action by Bonifacio in the Cry of Balintawak.

Under the American regime we had some measure of freedom, and perhaps, because of this fact our loyalty began to change color. We are still loyal to our relatives and families, but somehow our loyalty to principles began to be channelized to personalities, especially when we finally obtained our independence. The results of elections, which are based more on personalities; the problem of nepotism; our impotence in business (in some cases); and even our allegiance to religion, are some palpable illustrations of this personality loyalty, which may even be narrowed down to personal convenience. This was especially manifest among many of our leaders, who were on both sides during the last war; first with the Japanese, and then against them.

We are a people who like the life of ostentation and ease. The late President Quezon stated correctly: "We, the Filipinos of today are soft, easy-going. Our tendency is towards parasitism. We are uninclined to sustain strenuous effort. We lack earnestness. Face-saving is the dominant note in the confused symphony of our existence. Our norm of conduct is generally promoted by expediency rather than by principle. We show a failing in that superb courage which implies action because it is right, even at the cost of self-sacrifice. Our greatest fear is not to do wrong, but of being caught doing wrong. We are frivolous in our view of life. Our conception of virtue is many times conventional. We take our religion lightly. We think that lip-service and profession are equivalent to deep and abiding faith. We are inconstant; we lack perseverance; the first obstacles baffle us; and we easily admit defeat. The patriotism of many of us is skin-deep, incapable of inspiring heroic deeds. There are those among us who are apt to compromise with ethical principles and to regard truth as not incompatible with misrepresentations of self-deceit."

"Self-restraint is not an active power in us. Those who are high-strung and emotional seldom utilize this great source of energy for the attainment of desirable objectives. Our nerves snap into fizzle when confronted with danger of seemingly insurmountable difficulties. We abhor discipline, either moral or physical, forgetting that self-discipline is the most effective process to build fortitude of body and spirit.

"Socially, we are inefficient. We are loath to accept our social responsibilities. We look upon our government as the fountain source of living to which we are reluctant to give anything, but from which we expect every bounty and help. We work slowly and scantily. We are afraid to exert ourselves in toil. We prefer a life of ease and take pride in it, not knowing that there is dignity only in work."

We love to live like a Christmas tree—pompous and colorful but dead. The glamour of the Christmas tree so paralyzed or deadened our sense of proportion that we want money and wealth, by hook or by crook. Learning from the example of the Spanish rulers, we did not and still do not want manual labor. We want to be like the Joneses. We need money, but it is difficult to earn honestly. So, we have all the techniques of getting easy money and wealth—ten percenters, immigration quota, racketeering, grafts, diploma mills, etc.

One can also mention communism with these easy methods of becoming rich for the simple reason that it is a protest of the "Have Nots" against the "Haves." The method of giving dissidents land to make them surrender is good, but the giving of land should be followed by the giving of instruction for re-education.

Love, fear, and anger are the three primary emotions. Anger, however, is the most dramatic, spectacular, and dangerous. It is the easiest personality trait that could be detected. It is easier to pinpoint a man who is angry than the one who is in love or in fear. Since this is so, we notice that we easily get angry—we fly off the handle with the quickness of a trigger. When I was a boy I saw fathers,

because of anger, punish their children as they did lazy, sluggish carabaos. I had seen husbands who touched and petted their roosters with the solicitude of a mother, but slapped, kicked, and whipped their wives with the brutality of a beast. And do we not hear and read of these brutal events being enacted in our public life? If we read the daily papers we would read of slapping, insulting, shooting, fighting, quarreling incidents among our people and our leaders. These are so common and so familiar that there is no need to make an inventory of the incidents.

We have plenty of amor propio, and this is very often due to the tendency to compensate the suppressed feeling of inferiority. Or it may be due to the fact that we, like other Oriental peoples, are so introspective and serious that we have very little sense of humor but our jokes are often at the expense of the other fellow. We are ready to laugh at others. We do not want to laugh at ourselves, nor join others when they laugh at us. The ability to laugh with others when they laugh at us is the very essence of a hearty and healthy humor which drives away anger, disease, and doctors. I am sure it may drive war away if the leaders could only laugh at each other. I believe that if other peoples have the Filipino amor propio, war will be more frequent than it is.

As a people we are consistent in our inconsistency; regular in our irregularity. In other words, we are a people of contradiction. This contradiction is manifest in two ways: (1) friendliness—hostility, and (2) nationalism—internationalism. Let us first consider the friendly—hostile contradiction. If a foreigner would ask anyone of us what is the most palpable and common personality trait of Filipinos, one would answer—hospitality. This trait is one of the most outstanding characteristics of Filipinos. It is the characteristic that our leaders of all brands would want our teachers to inculcate in the mind of the school children in order to preserve in our national veins the hospitable blood of our ancestors. As a people we are hospitable to the extent that all visitors, relatives, friends, or strangers, are treated as if they are the returning prodigal son.

Another personality trait which dominates the group life of our people is cooperativeness. I am speaking of groups, not individuals. This cooperativeness is commonly manifested in many of our daily life activities, such as fishing, planting and pounding rice, building and moving houses. Even in our family fiestas, relatives and friends contribute something—labor, bamboo, chickens, rice, etc. As a group, we are ready to cooperate, but as individuals, we are not. A contradiction, indeed! I could cite cases in which individuals do not only cooperate but also impede or sabotage each other.

These two personality traits, hospitality and cooperation, are the two wings of friendliness which spread far and wide to bring Filipinos under their shadows.

We are friendly but we are also hostile. We are good friends but at the same time we are bad enemies. When I was a teen-ager (a word I never heard until I was a thirty-ager) the boys in my neighborhood used to have fights among themselves. Two boys were friends; something happened and the two boys fought, mouth bleeding and eyes mourning. They parted never to be friends again. Such incidents happen all the time. I did not notice this trait until I was in America. In that country I seldom saw boys fight. The American boys play and group together like Filipino boys. But they seldom fight. If they fight at all, they shake hands before they part. They are friends again. They forgive and forget. We don't. We don't want to be friends again. We neither forgive nor forget. This is the effect of anger, and amor propio.

I said "we" advisedly because this unappeased hostile attitude is true not only among the boys but also among the adults. And the adults have it, with a vengeance. The common quarrels and hostilities among our politicians, would reduce Shylock's fury to naught. Each would like to have his pound of flesh from his enemy. For what? "To bait fish withal, if it will feed nothing else, it will feed my revenge." Our newspapers are full of Shylocks demanding their pound of flesh! I need not be specific!

Now let us move to the national—international contradiction. We are nationalistic almost to the point of chauvinism. It is our nationalism that made many of our leaders criticize our public schools under the Americans. Our schools, they proclaimed, make our children foreigners in our own country. It is this nationalism that gave birth to the Bagong Katipunan of which all our legislators were members, at the time of its birth. It is this nationalism that created the Nepa and the movement to make us patronize Filipino products, and avoid foreign products. It is this spirit of nationalism that made the law to create a national language out of the different languages of the country, and later made Tagalog the national language. It is this spirit of nationalism that made our political and educational leaders recommend the perpetuation of the culture of our ancestors through the public schools. Yes, this spirit of nationalism makes us want to remain under the protective wings of our ancestors; to remain Filipinos and distinct from Occidentals.

But before we were conscious of being a people of the Orient, we discarded the religion of our ancestors and became Christmas. We wanted to speak Spanish in spite of the friars' derision of Filipinos. We imitated the Spaniard's arrogance and indolence! The "mañana" habit is not of Philippine origin. It is a Spanish creation. Spanish mestizos appeared in large numbers. And we began to like white skin more than the brown.

The Americans came. We learned to speak the English language. We learned to eat American foods and to like American dress and habits. Our music or dances are all foreign in melody and in tempo.

We have more confidence on, and faith in, a foreign expert than in our own. Indeed, we are taught the ways of democracy by the Americans; even the Hukbong had an American expert as their educational director. And our political ideology and government structures were made in America, not in the Philippines. Even the nature of our scandals, the techniques of our grafts, racketeering and crime are of foreign origin.

This contradiction personality trait of our people is very confusing and cloudy. It is this trait that makes our economic, educational and governmental problems difficult of solution. It is perhaps this trait that is responsible for the fact that there are communists among Filipinos—just to be contrary—to oppose democracy.

We are a people whose basic drives, motives, passions and ideals are like those of any other peoples of the world. But because of our geography, history, and education, we formed a personality pattern which differs from those of other peoples. This difference, however, is not in kind but in degree. I did not mention other traits, such as patriotism, courtesy and industry, because these are more or less found in us in the same degree they are found in other peoples.

Those that I mentioned here are somewhat different in degree. We are very hospitable people and yet we are easy to anger and hard at forgiveness. Our loyalties and attitudes are as confusing as those of the adolescent. However, these exaggerated traits are not symptoms of maladjustment. They are rather the manifestations of a healthy, vigorous restlessness natural to a robust young nation like ours. They are natural ripples on the peaceful surface of national life. They are the manifestations of young energies which, with wise guidance, will enable us as a nation to mature in due time.

The Union of Burma

Between forest-clad mighty mountain ranges and the seas, is the country of Burma known of old as Suvanna Bhumi (the golden-earth) and in classical literature as Sonaparanta (the golden-land). Ptolemy, the geographer, writing at Alexandria in the second century A.D. brought to the notice of the West, this country to which he gave the name "Chryse Regio"—the Golden Peninsula. Burma forms a part of the sub-continent of Indo-China and is a meeting place of two of the world's great civilizations—China and India—both of which she inherited and fused together, developing a culture of her own. It is neither that of India nor of China exclusively, but a blending of both interspersed with Burmese native traits and characteristics. Burma's area is 261,789 square miles—Burma proper inclusive of the Chin Hills accounting for 162,290, the Shan States 61,090, the Karenni States 4,506 and the Kachin States 33,903. The total population in 1941 was 16,823,798; now is estimated at 19 million.

Mountains: Burma is an isolated country. On the north are the snowbound mountains of Tibet where even the passes are over a thousand feet; on the west, the Arakan Yomah (Hills), the Chin Hills and the Naga Hills whose ranges vary from about three thousand to eight thousand feet above sea-level; on the east the Kachin Hills and the Plateau of the Shan States and the Karenni, averaging some three thousand feet above sea-level; on the south-east the Tenasserim Yomah (Hills) and in the heart of Burma, a thousand five hundred to three thousand feet high, are the Pegu Yomah, at the southern extremity of which on the last spur stands the mighty Shwedagon Pagoda of Rangoon. The whole mountain system of Burma consists of north-south off-shoots of the Tibetan mountains in the shape of a horse-shoe. The sea washes Burma on her western, southern and south-eastern coast lines serrated and rocky for the most part, a distance of about 1,200 miles from the Naaf Estuary in Arakan to Victoria Point in Tenasserim which merges with Malaya and Siam.

Rivers: Burma comprises a series of river-valleys, the Irrawaddy, the Sittang and the Salween running from north to south and divided from one another by mountain ranges and plateaux. The Irrawaddy rising in Tibet and navigable for some nine hundred miles, flowing along the most fertile lands, is Burma's main highway. Along her banks stand many an erstwhile capital of the Kingdom of Burma—Tagaung, Pinya, Ava, Sagaing, Amarapura, Mandalay, Pagan and Prome—some of them in ruin and desolation and others a shadow of what they once had been. Southward of Prome, the Irrawaddy, before entering the sea, branches into creeks and rivulets and forms the Delta which is one of the great rice granaries of the world, covering an area of some 10,000 square miles. There are eight main distributaries—the westernmost, on which the port of Bassein stands, is the most important. Rangoon itself is not on the Irrawaddy but stands some 20 miles from the sea on the Hlaing River and is connected with the Delta by tidal creeks while some Irrawaddy water finds its way out by this stream. The main tributary of the Irrawaddy, the Chindwin, navigable for about three hundred miles, joins it near the town of Pakökkü. The Sittang, rising east of Yaméthin, drains the Toungoo District the headquarters of which was at one time a capital of Burma and passing through one of the most famous of Burma's ancient kingdoms, Pegu, after running for about 350 miles opens out into a wide estuary noted for its tidal bores and empties her waters in the Gulf of Martaban, halfway between Rangoon and Moulmein.

The third important river of Burma, the "wild" Salween, rising in Tibet flowing through part of the Shan States and the Karenni States, and for some considerable distance the boundary line between Burma and Thailand, is "untamable" for commercial purposes. It is, in fact, a torrent walled in on either side with banks varying from 3,000 to 6,000 feet high, racing with the haste of the tempest over crags and down deep chasms and enters the sea near Moulmein.

Climate: Burma lying between the 93° and 103° Long. and 28° and 10° Lat. is mainly within the tropics. There are three seasons—the rainy season during the south-west monsoons from the middle of May to the middle of October, when the coastal regions of Arakan and Tenasserim and the mountains of the extreme north have a rainfall of about 200 inches a year; the Irrawaddy Delta about 100 inches; the hills on the west and east about 80 inches, while Central Burma known as the Dry Zone, cut off from the monsoon by the Arakan Yoma receives only 25 to 45 inches of rain. The hottest season comes immediately before the rains begin and a shade temperature of about a hundred degrees is not uncommon in the Delta regions while the Dry Zone registers a temperature of over a hundred degrees. In the coolest months, December and January, the temperature in Southern Burma is in the neighbourhood of 60 degrees minimum and in the Dry Zone to less than 60 degrees. The Delta and coastlands are extremely humid all the year round.

The People: The indigenous races of Burma are the descendants of the migrants who in times remote came from Tibet and the great central Asian Plateau towards the valley of the Irrawaddy to "where the water is clear and the grass is tender." In historical sequence, the greatest of these, which might be called Major migrations, is that of the Mon-Khmer, the Shans and the Burmans. The indigenous races of Burma are therefore of the Mongoloid stock allied to the races living in southwest China, the Malays and other inhabitants of South-East Asia, and may be subdivided into three main branches: Tibeto-Burmans, Mon-Khmer and Tai-Lao. The Tibeto-Burmans which may be subdivided into three groups are (1) the Proto-Burmese, consisting of Burmese proper, Arakanese, Yanbye, Kadu, Hpon, Maru, Lishi, Atsi, Nung, Daru, Taungnyo, Taman, Yaw, Mro, Tavoyan, Merguese, Maing-tha, In-tha and Danu, (2) the Chin Kachin Group consisting of the Chins, the Kachins (Jingphaw) Naga, Gauri and Duleng and the (3) Lolo group including the Lolo, Liao or Yawyin, Lahu, Musho, Kwi, Kaw and Ako. The Mon-Khmer branch includes the Mons (Talaings) Wa, La, Palaung, Pale, Miao, Yao, Riang, Padaung, Bre(k), Yinbaw and Zayain, while the Tai-Lao branch includes the Shans, Karens, Karenis, Siamese, Khun, Lu, Lao, Shan-Tayok, Shan-Bama and Taungthu.

The Tibeto-Burmans came southward in three waves through the headwaters of the Irrawaddy from where the Chins moved into the western hills, the Kachins (Jingphaws) halted in the "Triangle Area" between the N'Mai Kha and the Mali Kha, while the Burmese and the Proto-Burmese moved southward leaving as they came small settlements to form the minor races of their stock in the northern regions of Burma. Some of them, however, spread westward into the Shan Plateau and thence into Lower Burma. The Tai-Lao people (the same as in Thailand and Laos) coming from Yunnan and after founding the Kingdom of Nanchao in the 7th century passed westward into Upper Burma and Assam and southward into Thailand.

Historic Background: The lack of good communications owing to the difficult nature of the terrain had the effect of isolating the various indigenous races bringing in its train the enhancement of regional development on individual lines, but these were on social and economic rather than on racial division. But this much must be said: the presence of a common foe at the gates of Burma always sees the welding together of these races. For example, just a few years before the Norman Conquest of England in 1066 A.D., King Anoratha (1044—1077 A.D.) of Pagan in Central Burma established a unified kingdom in Burma by winning over the Arakanese and the Mons (Talaings) to his side as also during the reign to Bayin Naung, styled Branginoco by the Portuguese, A-nauk-pet-lun in the 16th and 17th centuries and King Alaungpaya, the founder of the last Burmese Dynasty who came to power in 1752 A.D. During the next fifty years that followed, the Burmese repelled a number of Chinese incursions (from China many dangers were threatening) invaded Siam, annexed Arakan and by 1821 had overrun the valley of the Bhamaputra. And so, there came about in 1824, the first military conflict between the King of Burma and the East India Company. And total annexation of Burma resulted after the three Anglo-Burmese

Wars—the War of 1824 ending with the Annexation of Arakan and Tenasserim, the War of 1852 with the occupation by the British of the province of Pegu including Rangoon and the War of 1885 with the deportation of King Thibaw to India where he lived till 1916.

British Period: The whole of Burma was thus annexed to the British Crown, but it took an army of 30,000 men for over five years to suppress the sporadic resistance which broke out all over the country and which also spread to the then British occupied Burma. But the idea of being dominated is repellent to Burmans as to all dominated nations and from time to time attempts had been made to expel the invaders, the last one before the outbreak of Second World War being the Saya San "Rebellion" of 1932.

The system of administration by the British in Burma was assimilated to that in use in India. In 1897 Burma was given a Legislative Council consisting of "nominated" members and having no real powers—finance being controlled by the Central Government. A change was made in 1909 when a non-official but nominated majority was provided but the powers of the Council were no more than that of an advisory body to the Lieutenant-Governor. In 1923, the Indian Constitutional Reforms granted to India, popularly known as Dyarchy, were extended to Burma, not without agitation or struggle on the part of the Burmese. The functions of the Government were divided into two sections; those controlled by the Central Government of India such as Defence, Foreign Affairs, Railways, Posts and Telegraphs, Petroleum (of importance to Burma) while it also retained such major items of Revenue as Income-tax and Custom dues while the second section called Provincial Subjects became the exclusive concern of the Provincial Government. The latter were again divided into Reserved Subjects controlled by the Governor assisted by two official Councillors and consisting of Finance, Law and Order and Irrigation, and transferred subjects administered by two ministers selected by the Governor from among the elected members of the Legislative Council. The Transferred Subjects included Education, Agriculture, Forests, Local Self-government and Public Works (other than Irrigation). This is a Legislative Council of 103 members, 84 (including European, Indian, Chinese, commercial interests) being elected by various constituencies and the remainder (mostly officials) nominated. Meanwhile consequent on the Report of the Indian Statutory Commission, there was introduced the Government of Burma Act of 1935 which provided for the separation of Burma from India and gave Burma a semblance of responsible Government—the responsibility for Foreign Affairs, Defence, Currency and the administration of the frontier peoples, the Shans, the Chins, the Kachins, etc., being retained in the hands of the Governor. This new Constitution provided for a bi-cameral legislature—an elected House of Representatives consisting of 132 seats of which 25 were reserved for minority constituencies and 16 allotted to Commerce and Industry, Labour and University. The Upper House, the Senate, consisted of 36 members half elected by the House of Representatives and half nominated by the Governor. This new Constitution came into effect on the 1st April, 1937.

After the termination of the War in Burma, the British Civil Administration was resumed on the 16th October, 1945. On the 27th of January, 1947, an Agreement was reached in London between the British Government and the Burma Executive Council "as to the methods by which the people of Burma may achieve their independence either within or without the Commonwealth, as soon as possible." A Constituent Assembly was elected in April, 1947, in which the political organisation of AFPEL led by Bogoyoke Aung San obtained an overwhelming victory. In February of that year Bogoyoke (Leader) Aung San met the Chiefs and the leaders of the Shans, Kachins (Jingphaws), Karenis and Chins at a Conference in Panglong and the leaders agreed to join the Burma Government on condition that their autonomy was respected and that they were adequately represented on the Executive Council.

The Constituent Assembly, which met for the first time on June 10th, 1947, included 170 representatives of the AFPEL, 7 Communists, 2 Independents, 4 Anglo-Burmans,

24 Karens and 44 representatives of the Frontier Areas. A resolution moved by Bogyoke Aung San on June 16th, 1947, to proclaim Burma as an independent sovereign republic was unanimously adopted and Thakin Nu headed a mission which arrived in London on June 23rd and obtained from the Prime Minister of England an assurance that Parliament would introduce legislation to give effect to the transfer of power at the beginning of the Autumn Session and it was also agreed that the interim Government in Burma should become the provisional Government with Bogyoke Aung San as the Premier. On July 19th, Bogyoke and many leading members of his Government were assassinated while holding a meeting of the Executive Council. The disorder and the chaos which the perpetrators of this dastardly outrage no doubt intended to bring about never fructified for on that very night Thakin Nu, who was at that time Speaker of the Constituent Assembly, accepted office as Prime Minister and a new Cabinet was sworn in. The Constituent Assembly met again on July 29th and the draft constitution, after discussion, was approved by all parties, on the 24th September, 1947. On the 17th October there was signed in London between Thakin Nu and Mr. Attlee, a treaty covering the future financial and commercial relations between Burma and Britain and making provisions for the contractual obligations of the two parties and for the defence of Burma. The transfer of power took place on the 4th of January, 1948.

The Constitution: The Constitution of the Union of Burma consists of 14 chapters, 234 clauses and the following are some of the main provisions:—The Union consists of (i) the territories formerly governed by His Britannic Majesty through the Governor of Burma, and (ii) the Karenni States. The former Federated Shan States and the Wa States are combined in what is to be known as "the Shan State," the Myitkyina and Bhamo Districts are to be known as "the Kachin State" and the former Karenni States, i.e., Kantarawaddy, Bawlake and Kyebogyi, as "the Karenni State."

There is only one citizenship of the Union. The special position of Buddhism is recognized "as the faith professed by the great majority of the citizens." The right of private property and of private initiative in the economic sphere are guaranteed but private monopolist organizations are forbidden. Nationalization of branches of national economy or single enterprises, with compensation of the owners, is provided for.

There is a general tendency towards large-scale planning, support of co-operative organizations and collective farming.

The President of the Union of Burma is to be elected by both Chambers of Parliament in joint session, for a five-year term; re-election is permitted only once. He summons, prorogues and dissolves the Chamber of Deputies on the advice of the Prime Minister. He has no right of vetoing bills. In the event of his death, incapacity, etc., the presidential powers are exercised by a Commission, consisting of the Chief Justice of the Union and the Speakers of the two Chambers. The Union Parliament consists of the President, a Chamber of Deputies and a Chamber of Nationalities. The latter Chamber comprises 125 members, 53 of whom represent the Central Unit, 72 the States and Special Areas. The Chamber of Deputies has about twice as many members, elected for four years. Chapter IX regulates the position of the Shan, Kachin, Karen and Karenni States and the Special Division of the Chins. Each of them is represented in the Union Government by a minister to be chosen from its own members of Parliament, and enjoys a large measure of administrative autonomy. The national flag is red, with a canton of dark blue; in the canton is a five-pointed large white star with five smaller stars between the points.

The official language is Burmese, the use of English is general. The Constitution is enacted in two languages, Burmese and English.

Economic Resources

Agriculture: Burma is an agricultural country and about two-thirds of her worker population are engaged in cultivation mainly rice and stock-raising. The other crops include teel

or gingili, cotton, ground-nuts (peanut, monkey-nut or arachis nut), millet, fruits and vegetables, maize, beans and pulses, food grains other than rice, chillies, tobacco, sugarcane, wheat, betel-nut and Palmyra palm. The development of the rice industry in Burma is modern. A century ago, Central Burma was the principal producer of paddy and until the Delta of the Irrawaddy passed into the hands of the British in 1852, Arakan was the principal rice-producing area of Lower Burma. After 1852, the Delta began to develop and with the opening of the Suez Canal in 1869 and the improvements in steam navigation, the development was carried further and the rice-trade with Europe, then the principal customer, grew rapidly. With the growth in the population of India, towards the latter part of the Nineteenth Century, this development was further accelerated. In the Dry Zone where the rainfall is not, as in Arakan, Tenasserim or the Delta, at all liberal, irrigation is employed and some of the canals opened by the Burmese Kings dating back to the 11th century, after some renovations are now still in use. In 1902, the 40-mile long Mandalay Canal with 14 distributaries was opened followed in 1906 by the 27-mile long Shwabo Canal, while the Môn Canal, started in 1904, drains a wide area of cultivable land. Though in regard to rice, the Dry Zone has little exportable surplus, most of the other crops mentioned above are cultivated here.

The output of Burma rice in normal times varied between six and eight million tons of which over three million tons were exported. Pre-war, Burma stood fourth on the list of world's rice producers, coming behind China, India and Japan, but among exporters she took the first place followed by Thailand and French Indo-China. In fact, one-third of her total international trade consisted of rice. Despite India's huge production, most of Burma's rice found a market there. The better qualities of Burma rice, which had given the stimulus to the development of the Delta after the opening of the Suez Canal, was bought up by Europe in spite of increasing competition from the small but intensely developed rice-areas of Italy and Spain. In post-war times, though greatly handicapped by the conditions brought about by the war and other highly unfavourable adverse circumstances, Burma was able to export in 1947, no less than 839,773 metric tons of milled rice and 1,157,306 metric tons in 1948.

Timber: Burma teak is world famous and so long ago as the sixteenth century, this commodity has been exported by Arab traders. In the eighteenth century a fairly large ship-building industry grew up at Syriam and later at Rangoon and there is on record of the French having built from Burma teak, at the latter place, many ships including one of 1,500 tons. The export of teak expanded with each of the three successive Anglo-Burmese wars and it may be of interest to note that one of the causes for the last Burmese war, was a dispute over teak extraction. Burma stands first among the world's exporters of teak.

The area of forests at the end of 1945-46 was 20,057,251 acres. Before the War, the annual trade outturn of timber amounted to about 800,000 tons of which slightly more than half consisted of timbers other than teak. The use of these for internal consumption made available most of the teak outturn for export. As it takes over 160 years for a teak tree to grow to a 7-foot round trunk at breast height, strict control was maintained to conserve the forests and avoid extraction of immature trees. In the extraction of timber, mechanical means were found unpractical, at least for the time being, and elephants were the principal instrument of extraction and transportation of timber. Over 6,500 domesticated elephants were employed in Burma (excluding the Shan States) while forest work and the industries arising from it gave employment to about 100,000 men. Three years after girdling, the teak was felled, floated down the forest creeks to the main rivers and then assembled into rafts for transmission to the saw-mills. Timber was extracted only under licence or short or long term leases under the supervision of the Government Forest Department. On the 1st of June, 1948, the Union Government took over the teak concessions held by European and indigenous lessees in the Insein, Prome, Allanmye, Meiktila, Yamethin, Pynmana, North and South Toungoo and North and South Pegu Forest Divisions.

Minerals: Although the output of petroleum is only a very small fraction of the World total—less than half of one per cent. of the World's total supply—it is by far the most valuable of Burma's mineral assets and is an important item in Burmese economy. The petroleum fields of Burma lie in the ancient geological Burma gulf and are notable for the remarkable continuity of yield over a long period of exploitation especially at Yenangyaung, in Central Burma, where for many centuries oil has been extracted. Apart from Yenangyaung there are productive fields at Chauk (Magwe District), Lanywa and Yenangyat (Paköku District), Yenamma (Thayetmyo District) and also in the Minbu District and at Indaw in the valley of the Chindwin. Along the old geological gulf roughly occupied by the Irrawaddy and the Chindwin Valleys of the present day, oil seepages are found in various places, while there are gas-wells at Pyaye in the Thayetmyo District. In normal years, the production of crude-oil was nearly 300,000 gallons from some 4,400 wells.

As regards minerals other than oil, 10 per cent. of the total world supply of Wolfram was produced by Burma and as such she may be regarded as the world's largest producer of this metal. Her position in the world as a producer of lead was sixth and of tin was eighth. The production figures for minerals as these stood before the War (1940) may be given as follows:—

Lead	82,084 tons
Tin concentrates	5,626 tons
Tungsten concentrates	4,172 tons
Silver	5,745,000 oz.
Zinc concentrates	51,785 tons
Copper matte	3,723 tons
Nickel speiss	2,380 tons
Antimonial lead	606 tons
Jadelite	550 cwt.
Iron-ore	22,693 tons
Gold	1,258 oz.
Clay for Pottery	2,136 tons
Amber	25 cwt.
Rubies and Sapphires	216,986 carats.

It may be added that gold is found, beside Bawdwin area of the Northern Shan States, in the rivers of Upper Burma and though several attempts made during the early part of this century to dredge this gold were unsuccessful, numerous small-scale local-steam workings took up the operations with some degree of success. With the advent of modern methods of dredging, Burma may yet become a gold exporting country. Burma is best known perhaps all over the world for her rubies. In fact this precious stone, sapphires and jade find no equal elsewhere in the world. The principal gem track is round Mogök in the Katha District east of the Upper Irrawaddy. The jade, most of which goes to China, has been worked since the thirteenth century along the Uyu River, south of the Hukawng Valley.

Even a cursory study of the mineral products of Burma, cannot but bring home the vast possibilities of these in the future. With modern equipment and the use of up-to-date methods, these resources are bound to be developed to such an extent that Burma may yet become not a fictitious and fanciful but a real El Dorado of the modern world. However, general political conditions are unfavourable and depress economic prospects.

COMMUNICATIONS

Burma is not well provided with external land communications. The horse-shoe of mountains surrounding the country makes roads and rail communications uneconomical in comparison with sea communication. On the west the only alignment for road or rail leads to Manipur, but was never developed as the area is remote from any large centre of supply or population. Similar objections existed as regards the east and so Burma was dependent on sea communications and later air-lines. Overland communication from Arakan to India can be effected but the route is a difficult one. The easiest route on the west of Burma is the one leading from Kalewa on the Chindwin River to Tamu and on to Pail and Imphal in Manipur and from thence to Dimapur. On the east, tracks which are difficult and suitable only for pack transport lead from Putao through Konglu across the Frontier into Yunnan; and from Myitkyina through Seniku or through Sadoh. From Bhamo a track leads through Hkalunga and by the Taping River Valley into Yunnan. The Burma Road

to Yunnan leaves the Lashio-Bhamo Road near Muse and south of this road a mule track leads from Lashio into Yunnan by the ferry at Kunlong on the Salween. From Kengtung in the Shan States mule paths northwards through Mongyaung leads to Yunnan and southwards a road leads to Tahkilek on the Thai border. A number of tracks leads from the other parts of the Shan States into Thailand; tracks which are difficult and suitable, mainly for pack transport lead from Putao through Konglu across the Frontier into Yunnan, which can also be reached from Bhamo, Lashio and Kengtung in the Shan States. Southwards a road leads to Tahkilek on the Thai border, in addition to other tracks of which mention may be made of those from Papun across the Salween, from Myawaddy to the air-port of Maeo and from Moulmein through Thanbyuzayat (the rail-head of the Siam-Burma railway of the Japanese occupation period). Behind Tavoy the road through Myitta crosses the Thai frontier.

Internally Burma, being a country of water-ways, is not well provided with road communications. The two principal roads connecting Lower with Upper Burma are the Rangoon-Prome-Meiktila and the Rangoon-Toungoo-Meiktila-Mandalay Roads. The total mileage of surface roads was 6,811, of unsurfaced roads 5,611, of cart tracks 4,704 and mule tracks 8,319 and about 47,000 miles of village tracks. Omitting the village tracks there is in Burma one mile of road to ten square miles of country.

The Burma Railways system is of metre gauge (3' 3 $\frac{3}{8}$ ") and the main lines are from Rangoon to Prome (161 miles); Rangoon to Mandalay (386 miles) extending to Myitkyina, (723 miles from Rangoon). Branch lines extend from Letpadan to Tharrawaw (24 miles), from Henzada to Bassein (82 miles) and from Henzada to Kyangin (65 miles). In the Tenasserim Division, the lines are from Pegu to Martaban (122 miles) connecting with Moulmein by ferry, and from Moulmein south to Anin (57 miles) and from Nyaunglebin to Madauk (11 miles). Then there are the branch lines from Pynmana to Taungdwingyi (67 miles), from Thazi to Myingyan (70 miles), from Mandalay to Madaya (17 miles) and from Ywataung, near Sagging, to Ahlon (71 miles). The Northern and Southern Shan States Hill sections are important branches connecting with the main lines at Myohaung (near Mandalay) and Thazi having respectively 12 and 16 miles sections continuously graded at 1 in 25. The Railways suffered severely as a result of World War II and the present route mileage is 1,777 as compared to 2,059 in 1942.

Burma's great river Irrawaddy is navigable up to Bhamo, 900 miles from the sea while its main tributary the Chindwin is navigable for nearly 400 miles. The Irrawaddy Delta with its numerous creeks provides a sea-board for all types of craft and has nearly 1,700 miles of navigable water. And around Moulmein, the Salween, the Attaran and the Gyne also provide about 250 miles of navigable waters. In addition there are 60 miles of navigable canals—the Pegu-Sittang Canal (38 miles) connecting the Pegu River at Tawa (near Pegu) with the Sittang River at Myitkyo and the Twante Canal (22 miles) connecting the port of Rangoon with China Bakis (or To) River—one of the deltaic branches of the Irrawaddy.

EDUCATION

Burma with the literacy figures in 1940 of 56 per cent. for men, 16.5 per cent. for women and averaging 36.8 per cent. for the whole country is proud of her education. The reason for this high standard of literacy is to be found in her splendid monastery system of education. There is a *pongyi kyaung* (Buddhist monastery) in every village of importance and all Burmese boys attend these monastic schools either as lay-pupils or as novices for it is incumbent on all Buddhist boys to enter the monkhood, at least for a time. In the monasteries are inculcated not only the three R's but also Pali and Burmese literary expression as well as the deeper significance of life and their relation to Buddhism. The standard of education in the initial stages of a pupil's career may not be high, when judged by modern world standards, but it is useful and served the need of the Burman for all practical purposes. The advent of the western system of education, however, out-dated and antiquated the indigenous

system which however survives, the torch being kept alight by the disinterested services of the monks. The western system of education as introduced by Britain was against Burmese traditions, but was accepted for the sake of securing a post in a British firm or a post and a pension under the British administration of those days. In fact, the Burmese students' revolt in 1920 against that system of education, gave a fillip to the revival of the Burmese nationalist movement which ultimately won for Burma her freedom.

Before the war, schools were classified as (a) English Schools, (b) Anglo-Vernacular Schools and (c) Vernacular Schools, the classification being based on the main language and medium of instruction adopted in each class of school. The schools were further classified as (a) Government Schools and (b) Aided Schools such as those founded by Christian Missions, Buddhist organizations, etc. After 1920, there sprang up a number of schools run on nationalistic and Buddhist principles and aided by Government funds. The schools were graded into (a) Primary Schools teaching up to Standard IV, (b) Middle Schools up to Standard VII and (c) High Schools up to Standard X. In the interim between the end of the war and the transfer of power the pre-war curricula and syllabuses were overhauled. After the attainment of Independence, the Government adopted a centralized system of control of schools and confirmed the unified homogenous system of schools. The grading of schools was retained with the difference that instead of pre-war Standard X, there was instituted a Matriculation class for those who intend to pursue a University career and for others a School-Leaving Certificate Examination entrance to which is confined to those who have successfully completed their school course to Standard IX.

Primary Education for children (6 to 11 years) is provided free in State Primary Schools opened all over the country. In a few urban areas, however, there are private Primary Schools run by private bodies and in which tuition fees are charged. Facilities for learning the three R's are provided at the Buddhist monasteries which exist in almost every village. In the year ended March, 1948, there were 4,795 State and Primary Schools with 11,315 teachers and attended by 431,684 pupils. There are 142 Post-Primary Schools (the majority being State) with 722 teachers and attended by 11,648 pupils (12 to 16 years). Education at this stage is not free although a large number of free places and stipends are provided for those who are in need. At the end of this course they take the School-Leaving Certificate Examination or the Matriculation Examination whilst others leave to join technical schools or go into employment.

A State Training College for Teachers, opened on the 1st September, 1947, was attended during its first year by over 200 trainees.

The University of Rangoon, before the war was of the "federal" type with the University College, Judson College, Medical College and Teachers Training College as constituent colleges. At Mandalay, there were also an Intermediate College and an Agricultural College. After the war the University became "unitary." All the constituent colleges were abolished and instead "faculties" were instituted. There are now the following faculties—Art, Science, Engineering, Law, Education, Agriculture and Medicine. The Intermediate College at Mandalay has been raised to a degree status and is being retained with the prospect of eventually becoming the University of Mandalay.

Before the war, there were in the University 2,300 students, of which 350 were women and now there are 2,960 students of which 640 are women.

LANGUAGE, LITERATURE, RELIGION

The Burmese people call their language, Bama Myanma (Mranma). It is the main language spoken throughout the country. Burmese is one of the languages of the Burma Group which is the Assam-Burmese Branch of the Tibeto-Burmese family. The Burma Group comprises, in addition to Burmese, Arakanese (Rakhaing, Yakkhaing, Yanbye, Ramree), Tavoyan (Dawè), Merguense (Myeik, Beik), Yapein, Yaw, Danu, Intha, Taungyo, Hpon, Atsi, Lashi, Maru and Maingtha.

About seventy per cent. of the people of Burma speak one or other of the Burma Group of languages while the percentage of those having Burmese as their mother tongue is estimated at ninety. The written language is the same all over the country and its spoken variations are due to differences in pronunciation. This is noticeable especially in Arakan, Tavoy and Mergui. The Burmese vocabulary contains a large number of Pali and Sanskrit words and it is computed that about 12,000 words are common to Burmese, Tibetan and Southern Chinese languages, that about 1,000 words and 750 words are traceable to Tibetan and southern Chinese, respectively.

The other group in the Assam-Burmese Branch is the Lolo-Musho Group comprising among others Lishaw (Yawin, Lisu), Lolo, Lahu, Tangsir, Hopa, etc., spoken in Northern and Southern Shan States and in places like Myitkyina, Bhamo and Katha. The Kuki-Chin Group comprising Kathè (Manipuri, Meithea, Ponna) spoken in Mandalay and Sagaing Divisions and Kyaw (Chaw) spoken in the Arakan Hill Tracts, belongs to this Branch. The Tai sub-family consists of the Tai Group which comprises among others, Shan, Shan-Tayok, Hkun, Lu, Lao (Yun), Shan-Bama in the Northern and Southern Shan States and Siamese (Yodaya Shan, Htai) in Mergui and Amherst. Coming now to the Austic family and the Indonesian Branch of the Austro-Neesian sub-family, we have Malay (Pashu) and Salon (Mawkin) belonging to the Malay Group which are spoken in Mergui. The Mon-Khmer Branch consists of the Mon Group comprising—Talaing (Mon, Pegu, Martabanese) which are spoken in the Pegu and Tenasserim Divisions and the Palaung-Wa Group comprising Wa (La, Lawa) Tai-Loi (Weku), Yainglam (Karennet, Black Karen), Palaung, etc., spoken in the Northern and Southern Shan States. To this branch also belong the Khasi Group. The Karen family consists of Karen subdivided into Sgaw (Bama-Kayin, Pahti) and Pwo (Talaing Kayin, Mohti, Moheik, Shu, Blainmaw) in Pegu, Irrawaddy and Tenasserim Divisions; Paku (Bagu), Monnepwa, Bwe (Bre, Bge), Karenbyu, Gheko (Gahu) in Toungoo; Taungthu (Pa-o, Titauk, Kunlong, Balat Nakra, Tawthu) in the Southern Shan States, Thaton, Toungoo, Amherst, Pegu and Karenni; Padaung (Padaw) Yinbaw and Karenni Kaya, Lakan, Mite, Manu-Manaw, Taru, Yang-leng, Yintalue, Yangtalai, in Karenni. The southern Chinese Group scattered practically all over Burma consists of Yunnanese (Anyu Tayok, Monyin Tayok, Khelung), Cantonese (Short-Coat Chinese), Fukienese (Long-Coat Chinese).

Literature: The Burmese people have a wide and extensive literature. Burmese which was preceded by Pyu (the written language of the Pyus) gained a definite place as a literary language with the rise of the Pagan Dynasty in the 11th century A.D. and inscriptions, lithic and otherwise, bear testimony to this. Burmese literature from those days has been enriched by translations from Pali and from Sanskrit. Religious literature takes the predominant place, followed by works on astrology, astronomy, law medicine, society, prosody, poetics, drama and fiction. The wave of westernization has had its effect on Burmese literature, but the nationalist movement stemmed its tide, and the Burmese literature of to-day while retaining its pristine purity is drawing on modern resources, thus enabling it to take its place among the modern languages of the world.

Religion: Burma has earned the rightful reputation of being the "Land of Pagodas"; throughout the length and breadth of the country; the dominant feature of any landscape is a pagoda, towering over the crest of a hill, nestling in a valley or standing beside the brink of a river. About 86 per cent. of the Burmese people are Buddhists and are devoted to their religion; to them to be a Burman means to be a Buddhist. Burmese Buddhism belongs to the Southern School. It does not admit the principle of caste and caste distinctions are unknown to the Burman; there is an absence of class consciousness among Burmans. Though in the olden days, such classes as "pagoda slaves," "grave-diggers" were regarded as being outside the pale of normal Burmese life, and later came to be regarded as inferior in some degree, with the advent of independence, these distinctions have been legally removed.

Hongkong's History

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Antecedents

The earliest traces of human settlement in the region are at Shek Pik, on the south coast of Lantau Island, and on the beach known as Hung Shing Yeh, on the west coast of Lamma Island. From the rock carvings, pottery and implements discovered there, it is clear that in prehistoric times the islands were occupied, at least seasonally, by people whose trade connexions stretched from the Yangtze basin as far south as Indonesia. Little is known of the region before it adopted Chinese culture. Chinese histories refer to the early inhabitants as Maan, implying barbarian, and provide few details about them.

Kwangtung was first brought under the suzerainty of China between 221 and 214 B.C., but it was many hundreds of years before there was any degree of Chinese migration into the province. Remote and dangerous, its islands providing ideal hiding places for sea-robbers and bandits, this particular region was no place for civilized settlement.

Southward Chinese migration on a large scale began to affect Kwangtung during the Sung dynasty (960-1279). Little is known of the early relations between Chinese and Maan which must have resulted from this movement, but it is clear that by this time the Maan had already adopted Chinese culture and names. Chinese settlement in the New Territories is continuous from the beginning of the thirteenth century.

For a few months during 1278, the last emperor of the Southern Sung, Ti Ping, in flight from the invading Mongols, made his capital at Kowloon, and a small hill crowned with prominent boulders was held sacred to his memory, until 1943, when the Japanese demolished it as a safety measure for the airport. The last battle between the Sung and the Mongols was probably fought in the New Territories in 1279, not far from Tsun Wan; and after the Sung defeat, large numbers of the Court and nobility are said to have escaped across to Lantau Island, where some of them settled, their descendants surviving to this day.

In the earliest maritime connexions between China and the West, the shipping was principally Arab, the traders including Indians, Persians and Jews, all of whom, from the seventh century onwards, formed a considerable foreign community in Canton. When, at the beginning of the sixteenth century, the Portuguese discovered the sea route from Europe to India, they quickly put an end to Arab trade with the Far East. In 1513, Jorge Alvares, the first European ever to command a sea voyage to China, reached the Pearl River in a chartered Burmese junk; and in 1517 the first Portuguese ships arrived, with the aim of opening regular trade with China.

Their first attempts were unsuccessful, and it was not until 1557, partly in recognition of the help they had given the Chinese in the local suppression of piracy, that the Portuguese gained the settlement which was their aim, and established themselves at Macau.

From then onwards, through many vicissitudes, and against the main current of authoritative Chinese opinion, which was not interested in foreign trade, Macau provided the only reliable point of contact between China and the West. English contacts with Macau date from about 1600, the first English ship actually calling there in 1635, under charter to the Portuguese. Between 1601 and 1627 the Dutch made repeated attempts to capture Macau, but without success.

Regular seasonal British trade with China dates from 1700, and although Amoy and other ports farther up the coast were visited from time to time, the bulk of the trade was with Canton, the ships weighing for dues and clearing at Taipa, just south of Macau, but being allowed up-river as far as Whampoa, 13 miles from the city of Canton, for discharging and loading. A strictly limited number of Europeans con-

nected with the trade were, under security paid by their Chinese business associates, allowed to reside in Canton during the trading season only, being obliged by the Chinese authorities to leave the country as soon as they had completed the year's business. The thirteen Chinese merchants, who were alone permitted to trade with the Europeans, conducted their affairs as a monopoly guild, charging prices far in excess of real market values.

As, throughout the eighteenth century, the volume of trade between China and the West continued to grow, until it reached immense proportions, the various restrictions imposed on it by the Chinese Government became steadily less realistic and less endurable. Although the French, Dutch, Spaniards, Danes and Swedes also traded with Canton, the volume of British trade by 1763 was more than double that of all the others together. It was the British who, having the largest stake in the trade, were the most critical of the Chinese restrictions.

In 1793 Lord Macartney was sent as Ambassador to Peking in an attempt either to improve trading conditions at Canton and Macau, or else to acquire from the Chinese Government some small island or minor port where Europeans would be able to reside permanently, trade with whatever Chinese merchants wished to deal with them, and be subject to their own laws while residing at the port.

These requests were unconditionally refused. A second embassy, sent in 1816, was even more of a failure, the Ambassador, Lord Amherst, being ordered to leave Peking without being presented to the Emperor.

Hitherto British merchants operating privately in the China trade had been under restraints imposed on them by the East India Company, which, from Calcutta, licensed private British shipping on the China route and, at Canton, saw to it that all British subjects obeyed the Chinese regulations. In 1813, however, the Company's monopoly of trade with India was abolished. Although the Company still in theory licensed traders to China, this lessening of its power made it easier for unauthorized private traders to find a foothold at Canton and Macau. The number of British traders increased, with little or no restraint on their activities. Finally, in 1833 the Company's China monopoly was abolished.

To replace the Company, the British Government in 1834 appointed Lord Napier as Chief Superintendent of British Trade in China. His instructions were to negotiate with the Viceroy at Canton to obtain permission for Europeans to reside there permanently and to remove restrictions on trade. Napier having entered Canton without the required permit from the Chinese authorities, the Viceroy refused to have anything to do with him. After a few weeks of impasse, during which Napier became seriously ill, he made an ignominious retreat to Macau, under Chinese escort, and died there ten days later.

Meanwhile, informed Chinese opinion was becoming seriously concerned about the activities of British and American traders, in particular about their trade in opium, the popularity of which as a narcotic was rising rapidly in China. In response to a number of petitions from senior members of the Chinese civil service, the Emperor Tao Kuang in 1838 appointed Lin Tse-hsi as Imperial High Commissioner, with orders to stamp out the opium trade.

Having surrounded the European buildings at Canton with troops and armed junks, and cut off supplies of food and water, Lin demanded the surrender, for destruction, of all the opium in the European warehouses, after which every trader must sign a bond promising on pain of death never to bring any more to China. Americans and others surrendered their opium and signed the bonds.

By this time Captain Charles Elliot, R.N., was the Superintendent of British Trade. In response to Lin's demand, Elliot ordered his countrymen to surrender their opium, and received their grudging obedience; but he refused to allow anyone to sign a bond. He finally won his point with Lin, and at the end of a siege lasting more than six weeks the British were allowed to leave in peace for Macau.

Interest in the China trade had been steadily growing in Great Britain, and news of the siege at Canton, when it eventually reached London, aroused public opinion to demand that the Government take measures to safeguard British lives and property in China. Relations between Elliot and Lin deteriorated, the Commissioner reiterating his demand for the signature of bonds. At Macau the Portuguese Governor warned Elliot that he could not be responsible for the safety of any British family remaining there. Facing the ships in Hong Kong harbour, where most of the British had taken refuge, the Chinese were building fortifications on Kowloon peninsula. Finally, in November 1839, hostilities broke out.

The arrival, in June 1840, of a powerful British expeditionary force, without engaging in any operations of military significance, re-opened the door to discussion. Elliot, as plenipotentiary, demanded, according to his instructions, either the cession of an island to the British Crown or a treaty allowing British traders the rights normally enjoyed by foreigners in civilized countries. To the anger and shame of his own countrymen, Kishen, the Manchu negotiator, offered the island of Hong Kong; and to the ridicule and contempt of his own countrymen, Elliot accepted it. On 20 January 1841 the preliminaries of a Sino-British Treaty were announced, and, without more ado, on the 26th, the island was formally occupied, without any resistance on the part of the few Chinese inhabitants, who were in any case by now familiar with British ships anchoring in their waters.

The Island Colony, 1841-60

The acquisition by the Crown of a barren island rock was ridiculed, not only by British merchants in China, but also in London. Elliot was dismissed for his ineptitude in dealing with the Chinese, and was replaced by Sir Henry Pottinger, who reached the coast in August 1841.

In the face of public hostility, particularly in Canton, to Kishen's proposal to cede Hong Kong to the British, the Emperor declined further negotiation, and war was resumed. But Pottinger had not been on the China coast for more than a few months before he realized that, whatever the London view might be, Elliot's decision to accept the cession of Hong Kong was a wise one. And when, in August 1842, British troops were on the point of assaulting Nanking, and the Emperor at last sued for peace, Pottinger made it an article of the treaty, that was promptly concluded, that Hong Kong should be ceded to the British Crown "to be governed by such laws as Her Majesty the Queen of Great Britain etc. may see fit to direct".

Like Singapore before it, Hong Kong from the start was declared a free port; and its subsequent growth and greatness as a commercial city have been due to this fundamental policy, which welcomes anyone who comes in peace, obeys the laws, and pays a few very moderate taxes.

The history of Hong Kong is in some ways no more than a chronicle of rising and falling trends of trade and population, fluctuating due chiefly to events taking place outside Hong Kong itself, particularly in China. Internally, the history is one of gradual material and social improvement, the expansion of the city by cutting into rock and by reclamation of land from the sea, the building of more reservoirs to provide for a mainly expanding population, and the provision of schools, hospitals and other forms of public service.

Hong Kong's first years as a Colony were almost chaotic. In 1841 alone, the new Chinese market quarter was burnt down twice, and nearly every roof on the island came off twice in typhoons. A mysterious disease, known as the Hong Kong fever, now believed to be malaria, decimated the population; and in 1843 the health situation was so bad that

the Governor and everyone who could afford to do so took temporary refuge in Macau.

Confidence did not begin to grow until 1844, from which year the real development of the Colony as we know it to-day began. At the first census the population of the island did not exceed 3,650 villagers and fishermen, living in some 20 villages and hamlets, with about 2,000 fishermen living afloat. Chinese labourers, encouraged by prospects of work, began to come to the Colony, and by April 1844 the population reached 19,000.

From 1845 the first monthly mail service between Hong Kong and Europe was started. The increased security obtained for traders of all nationalities by the Treaty of Nanking, and, in particular, the comparative ease of acquiring land for offices, warehouses and homes in Hong Kong and the treaty ports, attracted to the Far East a greater number of European traders than ever before, leading to a tremendous increase in commerce. This expansion was felt principally in Shanghai, which was commercially better situated than Hong Kong. Compared with Shanghai's astonishing development as a western city, Hong Kong's early growth was unspectacular.

Shortly after its foundation, a great wave of emigration of Chinese labourers took place, mainly to the Straits Settlements, Thailand and Java, the bulk of the emigrants travelling in European and American ships. Hong Kong was the chief port of emigration. Later, when news went round of the opening up of goldfields in California, there was a rush of Chinese to "Kam Shan" (the Golden Mountains), which has ever since remained the vernacular name of San Francisco. When gold was discovered in Australia, not long afterwards, thousands more rushed to "Sun Kam Shan" (New Golden Mountains), which has become the vernacular name for Sydney. In the year 1852 alone, over 30,000 Chinese emigrants passed through Hong Kong. The problems of housing such vast numbers, and preventing abuses arising in connexion with migration, presented severe problems to the government of the day.

In 1850 the series of revolts known generally as the Taiping Rebellion broke out in Kwangai Province, and gradually spread throughout Southern China. This was the first instance where unsettled conditions on the mainland have brought to Hong Kong thousands of Chinese refugees of every social class and occupation. By 1855, the population was estimated at 72,000, and by 1861, with the Taipings still not defeated, it had risen to 120,000. The constantly recurring situation in which the Colony, almost without warning, has had to provide accommodation, food, water and other facilities for thousands of new arrivals—people with no local attachments and whose period of stay may be no more than a few years, perhaps even months—has presented successive governors of Hong Kong with problems that are unique and of exceptional difficulty. The word "squatter" can be found in Government correspondence from the first year of the Colony's existence.

Extensions To The Colony, 1860-99

By the Convention of Peking, 1860, which concluded the Second Anglo-Chinese War, Kowloon peninsula up to present-day Boundary Street was ceded to the Crown and became part of the Colony, together with Stonecutters' Island.

Permanent quarters were established in Kowloon for part of the garrison. This development was followed by the construction of new docks, more extensive than could be attempted on the Victoria waterfront, and which were the beginning of Kowloon's development as the Colony's second city. The pioneers in residential development in Kowloon were the Portuguese, from about 1870 onwards.

By the Convention of Peking, 1898, at the conclusion of the third period of hostilities between China and the Western Powers, the Colony was again extended, acquiring under a 99-year lease a substantial stretch of mainland north of Kowloon, and a group of islands in the immediate vicinity of Hong Kong. The leased area became known as the New Territories.

The initial British occupation, which took place in 1899, met with some ill-organized armed opposition in the Taipo and Yuen Long areas, but the confidence of the people was quickly established. Sir Henry Blake (Governor 1898-1904) personally identified himself with every aspect of the life of the Colony's new rural population, obtaining improved seed and types of livestock for them; and the relations between Government and the people of the New Territories have ever since been distinguished by the closest confidence and goodwill. Malaria was widespread, and plague of frequent occurrence. Extensive health measures were introduced to combat these diseases, the success of the measures being reflected in a subsequent steady rise in population.

In the first decade of this century rail connexion between Kowloon and Canton was established, involving the construction of a long tunnel under the Kowloon hills, and providing Taipo and other New Territories villages with easy access to Hong Kong. A circular road was constructed linking the chief population areas in the mainland part of the New Territories. Since 1949 the district road system has been considerably improved.

Internal Development Of The Colony

Until Chinese in large numbers started taking western education, there was little Chinese participation in government, western firms or banks, or in any western institutions. European and Chinese commerce pursued their own courses, largely independent of each other, occasionally linked by the precarious medium of pidgin English.

The special needs of the Chinese population received early consideration. In 1845, a Board of Education was established, and the Registrar-General was made responsible to the Colonial Secretary for all questions relating to the Chinese. Throughout the century this aspect of his duties grew in importance, until in 1913 a separate department had to be created—the Secretariat for Chinese Affairs.

Missionary schools, Catholic and Protestant, were the earliest educational foundations, soon followed by Government schools. Most of them were conducted, as far as was practicable, on western lines. As soon as Chinese students started graduating from these schools, their rise to influence, in what had hitherto been a European-dominated community, was assured.

Western education led to the adoption of a considerable amount of western business method. The scale of Chinese business enlarged, until by the end of the century there were Chinese shipping lines, banks, insurance companies, department stores, theatres, wharves, warehouses and factories. As the trend continued, Chinese citizens were drawn more and more into consultation with the Government on a wide range of matters. There have been Chinese members of the Legislative Council since 1884, and of the Executive Council since 1926.

A demand for higher education naturally developed, and in 1887, the HongKong College of Medicine was founded, the prime movers in this enterprise being Dr. Patrick Manson and Dr. James Cantlie. One of the first students to graduate from the College, in 1892, was Sun Yat-sen, later to become the founder of the Chinese Republic.

In 1908 the College expanded into the University of Hong Kong. This development was made possible by the munificence of a Parsi citizen, Sir Hormusjee Mody, who presented the entire cost of the new University's main buildings. With Government support, and the aid of subsequent benefactors, the University steadily developed traditions suited to its unique position as an English-speaking University in surroundings overwhelmingly Chinese. Its academic standards were high, particularly in medicine, and it quickly attracted students of many nationalities, from South and South-East Asia as well as from Hong Kong.

The area available on Hong Kong Island for urban building was originally no more than a narrow strip of comparatively level ground along the foreshore. The original waterfront of Victoria ran, with a moderate foreshore, approximately along the line of Queen's Road. Hillside

construction began in Stanley Street and Wellington Street, once a fashionable neighbourhood. As the nineteenth century proceeded, the tiers of houses rose gradually up the sides of the rock, fashion rising as well.

Reclamation of land from the sea began in the Colony's earliest days. By 1851 the waterfront had reached what is today Des Voeux Road Central, and was thereafter extended, in the face of much opposition from the principal commercial houses with foreshore sites, till it reached Connaught Road Central in 1904. This expansion, however, failed to keep pace with the increasing population. By 1870 the central part of Victoria, chiefly occupied by Chinese, was seriously overcrowded and insanitary. This was one of the factors that led the European community to climb even higher and develop the summits of the Peak as a residential area, a movement hastened from 1888 onwards, when Peak and city were linked by funicular railway.

A sanitary commissioner, Oswald Chadwick, was finally appointed in 1882 to advise the Government; and, as a result of his report, a Sanitary Board was set up. Its measures to improve the noisome state of the city were, however, at first ineffective. The administration was labouring on one side with financial difficulties, and on the other with the negative attitude adopted by the leaders of the Chinese community, and by the deep-seated distrust shown by members of the public in any measures which might be taken as interfering with their homes and ways of living. Almost every year at the end of the century there were outbreaks of plague, which, thanks to a Japanese research worker in Hong Kong, were finally identified as being carried by rats. After this discovery, against considerable public opposition, regular house-cleaning was carried out by Sanitary squads, and measures were effectively taken to restrict the spread of plague. Outbreaks, however, continued on a diminishing scale until about 1927, when, for reasons unknown, occurrences of this particular disease lessened significantly in all parts of the world.

The Sanitary Board continued in existence until 1936, when its functions were broadened and entrusted to an Urban Council, with official, appointed and elected members. In 1953 the number of elected members was increased from two to four, and the franchise was widened.

Reclamation meanwhile continued steadily. Between 1921-9 ninety acres were reclaimed north of Johnston Road, allowing for a large planned extension of the Chinese quarter of Wanchai, now one of the most densely populated urban districts in the world. Since the Second World War there has been extensive reclamation in the central district, Causeway Bay, and at various points on the northern shores of the harbour.

The principle that, in a place with such totally inadequate natural water supply as Hong Kong, it was a Government responsibility to provide reservoirs was first laid down by Sir Hercules Robinson (Governor 1859-65). What followed may be described as a century-long race between water capacity and population. The Pokfulam Reservoir was no sooner completed (1863) than it had to be extended, and the same occurred after the completion of Tytam Reservoir, in 1883. Extensions continued in these two areas, the largest work, Tytam Tuk Dam, being completed in 1917.

The lease of the New Territories provided a much needed opportunity to increase the water supply of Kowloon, which had hitherto been dependent on two wells situated near Yaumati. A new reservoir system high up in the Kowloon hills was started in 1902 and completed in 1910, extensions to it being made between 1922-5.

From 1930 water was conveyed to Hong Kong from the slopes of Taimoshan, the highest mountain in the New Territories, but even with this, supplies remained inadequate, and in 1935-6 the same area was further developed by the construction of the Jubilee Reservoir, the largest yet built in the Colony. At the present time another reservoir, still larger, is being constructed at Tai Lam Chung, and investigations are being carried out for the building of yet another after this is completed.

The Colony's earliest hospitals were run by missionary bodies. The first Government hospital was the Civil Hospital, founded in 1859. Part of its large old-fashioned buildings still stand, and on the remainder of the original site today stands the spacious and modern Tsan Yuk Maternity Hospital, opened in 1955. The Kowloon Hospital was opened in 1925 and the Queen Mary Hospital, one of the largest and most up-to-date in Asia, in 1937. The provision of adequate medical facilities at times of refugee influx has been one of Hong Kong's major problems, only surpassed by the problem of water.

The need to safeguard fishing junks and other small craft from destruction by typhoons was met by the construction of large typhoon shelters on both sides of the harbour. One of the main functions of the Royal Observatory, founded in Kowloon in 1883, was to give reliable forecasts of the approach of typhoons, a function which increased in importance with the development of air transport, which in Hong Kong may be said to date from the laying-out of Kai Tak Airport in 1932.

The Chinese Revolution And World War

In 1912 the Manchu dynasty fell, and was replaced by a Republic, guided by Sun Yat-sen, whose political thinking had been deeply influenced by his contacts with British institutions and ways of thought while a student in Hong Kong. During the events leading to the overthrow of the dynasty, many refugees sought sanctuary in Hong Kong, using the Colony's Chinese newspapers as a vehicle for conveying their ideas into China.

Following the establishment of the Republic came a long period of unrest in China. Once again large numbers of refugees, mainly from the southern provinces, made their way to the Colony. Their arrival coinciding with a commercial boom which occurred during the First World War, many of them made their permanent home in Hong Kong, and identified themselves with local affairs. Among the refugees were a number of Buddhists who, from this time onwards, began to develop the lonely upper hills of Lantau Island with their monastic retreats.

The anti-foreign movement which marked the rise of the Kuomintang to power in China in 1922 was reflected in Hong Kong by marked social unrest. A seamen's strike occurred in that year, and in 1925-6 there was a serious general strike, plainly engineered from Canton. Sir Cecil Clementi (Governor 1925-30), by negotiation with the Canton authorities, not only settled the dispute, but laid the foundations of a good neighbour policy with Canton, which from then on brought considerable benefit on both sides of the frontier. At the same time, the leaders of all communities resident in Hong Kong became increasingly aware of their social responsibilities towards less privileged sections of the population. From this awareness developed the strong interest in social welfare which has become one of the most marked features of the Colony's life.

Japanese plans for political aggrandizement in the Far East became apparent when Japan presented her Twenty-One Demands to China in 1917. These were followed by intense economic expansion. In 1931, Japan invaded and occupied Manchuria, and in 1937 began a general invasion of China. As the Japanese armies pressed southwards towards Canton, which was taken in 1938, Hong Kong experienced the greatest influx of refugees it had yet seen. It is estimated that about 100,000 entered in 1937, 500,000 in 1938, and 150,000 in 1939, bringing the total population to about 1,600,000. At the height of the influx there were thought to be over half-a-million people sleeping in the streets.

In the earliest days of the Sino-Japanese War it was possible for valuable supplies to reach China through the Colony, but, after the fall of Canton, movement of such supplies was severely restricted. When war broke out in Europe, in September 1939, the position of the Colony became precarious, and on 8 December 1941, the same day as the attack on Pearl Harbour, powerful units of the Japanese Army, supported by the Japanese Air Force based on Canton, invaded the Colony from the mainland. The first attempt to land on Hong Kong Island was repulsed on the night of

15-16 December, but a second attempt, on the 18-19 night, could not be held. After several days of severe fighting, in which many thousands of Commonwealth troops lost their lives, the Colony was surrendered to the Japanese on Christmas Day.

All members of the fighting services, which included the Hong Kong Volunteer Defence Corps, were interned as prisoners-of-war, many being subsequently sent to Japan to work in mines and docks. The majority of British-born civilians were interned in a civilian camp at Stanley. Those who remained free experienced throughout the Japanese occupation a steady deterioration of conditions. Trade was at a standstill, currency steadily losing value, and in neighbouring Kwangtung a food shortage culminated in 1944-5 in famine conditions. Large numbers of civilians moved over to Macau, the Portuguese Colony hospitably opening its doors to them. Toward the latter part of the occupation the Japanese, unable to obtain food for the existing population, organized mass deportations from Hong Kong.

In the face of increasing oppression, the fundamental loyalty of the population to the Allied cause was not in doubt. Parts of the New Territories remained in the hands of Chinese guerrillas throughout the war, in spite of vigorous punitive measures taken against them. Allied personnel escaping or evading capture were assured of assistance from the rural population.

As soon as news of the Japanese surrender was received, a provisional government was established under the Colonial Secretary, (Sir) Franklin Gimson, assisted by civil servants released from prison camps and by leading citizens of all races, maintaining the essential form of Government until 30 August 1945, when powerful units of the British Pacific Fleet reached the Colony.

Since The War

A brief period of military administration was followed by the formal re-establishment of civil government in May 1946. From the moment of liberation, Hong Kong made an astonishing recovery. In August 1945 it was estimated that the population had been reduced to about 600,000. Eighteen months later, at least 1,000,000 people had returned, and the population was still rising. At the close of 1947, so far as it is possible to estimate, Hong Kong held about 1,800,000 people, with once again an acute housing problem and water shortage.

As, during 1948-9, the forces of the National Government of China began to retreat and disintegrate, a refugee influx surpassing all others took place, the refugees being in many cases well-to-do merchants and their families from Shanghai and other commercial centres. The highest point was reached in April 1950, when it was estimated that the Colony held about 2,360,000.

The Central People's Government was installed on 1 October 1949, and during the latter part of 1950, with the promise of more settled conditions in China, and with the departure of many of the wealthier refugees to Taiwan, South America and other distant places of refuge, the Colony's population fell for the first time since the war, until by the end of 1950 it was thought to be around 2,060,000. Since then, however, due partly to the arrival of more refugees from China, but principally to a high rate of natural increase, there has been another steady rise, bringing the population to the estimated figure of 2,340,000 in mid-1955.

Intense and unprecedented development has accompanied these increases of population. Throughout the urban area and the New Territories there has been tremendous building activity. In Kowloon, and at Tsun Wan in the New Territories, industrialists have opened large factories, producing textiles, enamelware, rubber goods, vacuum flasks, torches, etc.

As a result of the outbreak of war in Korea in June 1950, controls were progressively introduced over the export of strategic materials, beginning with petroleum and its derivatives in July of that year. As far as North Korea itself was concerned, a complete embargo on trade of any kind with that country was introduced on 8 July. In December, the

United States Government placed an embargo on goods destined for Hong Kong. This seriously affected supplies of raw materials essential for much of local industry, and led, for a time, to a serious disruption of the Colony's manufactures, with the threat of widespread unemployment. Fortunately, this embargo was modified by the introduction of a system of controls, which ensured supplies of these materials for legitimate use in the Colony.

In June 1951, as a result of the United Nations Resolution of 18 May 1951, a complete embargo on the export of strategic materials to China was imposed by the Hong Kong Government. This was a crippling blow to local commerce and the volume of trade in that year fell by over one million tons compared with the figure for the preceding year. During 1952, the United States Government introduced controls over imports of Chinese-type merchandise from Hong Kong, and even now commodities of this kind are admitted into the United States only under strict procedures designed to ensure that they are of non-Communist origin. The entrepôt trade, once the Colony's mainstay, has continued up to the present on a greatly reduced scale. The Colony has, in fact, been saved from economic disaster largely by its exertions in the field of industry.

Administration

The principal features of the constitution are prescribed in Letters Patent, which provide for a Governor, an Executive Council, and a Legislative Council. Royal Instructions to the Governor, supplemented by further Instructions from the Sovereign conveyed by the Secretary of State for the Colonies, prescribe the membership of the Executive and Legislative Councils.

The Executive Council consists of five *ex-officio* and seven nominated members. The *ex-officio* members are the Commander, British Forces; the Colonial Secretary; the Attorney-General; the Secretary for Chinese Affairs; and the Financial Secretary. Up to June 1955 there was one

nominated official member. The six unofficials include three Chinese members and one Portuguese member.

The main function of the Executive Council is to advise the Governor, who must consult its members on all important matters. The responsibility for deciding questions which come before the Council, and for taking action, rests with the Governor, who is required to report his reasons fully to the Secretary of State if he acts in opposition to the advice given by members. The Governor-in-Executive Council is also given power, under numerous ordinances, to make subsidiary legislation by way of rules, regulations and orders. A further function of the Council is to consider appeals and petitions under certain ordinances.

The same five *ex-officio* members of the Executive Council serve also on the Legislative Council, of which the Governor is the President. In addition, there are four other official members, at present the Directors of the Public Works, Urban Services, Medical and Education Departments, and eight unofficial members nominated by the Governor. These include four Chinese members and one Portuguese member.

The laws of the Colony are enacted by the Governor with the advice and consent of the Legislative Council, which controls finance and expenditure through its Standing Finance Committee, on which all the unofficial members sit. Procedure is based on that of the House of Commons.

The Common Law and Statutes of England as they existed in that country on 5 April 1843, except where inapplicable to local circumstances, form the basis of the legal system of Hong Kong. They have been extended and modified by the application to the Colony of certain subsequent enactments and by Hong Kong Ordinances.

Under the general direction of the Colonial Secretary, the administrative functions of Government are discharged by some thirty Departments, all the officers of which are members of the Civil Service.

Book Reviews

China: Real Past and Supposed Present

By Professor E. S. Kirby
VISA FOR PEKING

By A. de Segonzac; Heinemann, 1956.

We have lately had, from travellers returning from Communist China, a spate of naively glowing "reports"—or rather, regurgitations of official propaganda from the Great Within. All those who know the sordid reality wonder how it can possibly emerge thus roseate and gilded, in the memoirs of returning tourists. There are varying explanations, in varying cases; but a book such as this provides, to my mind, an interesting case-history for studying how it can happen.

The author is largely devoid of scientific or analytical sense; and rather proud than otherwise of being so. The date of his visit to China is nowhere given (except by chance, and only for those who can read Chinese and haven't lost the book's dust-cover: in the text of his actual visa, which is reproduced on the dust-jacket—1954). He has not the accuracy of mind to get his Chinese names always right. It doesn't matter too much, you see, because this is not a visit to China: it is a visit to Mars, where no one has ever been, and about which nothing is known. "I decided", he opens (p. xi), "to forget everything I had heard and read about this vast territory"; and "the instructions I received from my editor before I left were . . . 'We in Europe no longer know anything about the China of today; he said. 'To us, its people are as mysterious as Martians. Open your eyes, look around you, and give a faithful account of everything interesting you see.'"

Yet, thinks Mr. de Segonzac, "China remains one of the great subjects of controversy and curiosity in the world today". This seems very contradictory to the other view of it, just quoted, as being like Mars, or the other side of the

moon. He explains presently, however, that "for five years her (China's) frontiers have been hermetically sealed" (contradicted, again, by his Ch.I, in which he is impressed by the lack of any Iron Curtain round Hongkong). You see, "only a small number of Communist or 'fellow-traveller' journalists or writers have been allowed through. All that the Western world learned of China during that time was from their accounts, probably drawn up in a biased manner, or from information, whose objectivity could be contested, circulated by the propaganda services of the Chinese Nationalists from their island refuge of Formosa" (p. xi).

The effrontery of this is staggering. It is of course factually untrue, in the highest degree: an enormous number of people have been "through" (including quite a large number of non-Communist and non-fellow-traveller journalists and writers) and actually people in Hongkong could know more and better, in those five years, what was happening in China, than people in China itself under Communist rule. The assumption that we don't know anything except through the revelations of European journalists is absolutely breath-taking in its intrepidity.

The second part of the above-quoted passage is equally revealing. The writer is already half-way, before he ever sets foot on "Mars", to accepting Communist interpretations; anything hostile to those interpretations is in effect dismissed in advance as just "Kuomintang propaganda".

This is the first and one of the most recurrent devices of Chinese Communist persuasion of tourists; anything contrary to their version is just hostile propaganda. Often

their ideological battle is half won before the foreign tripper ever reaches China, by putting him in this frame of mind. Escort him, after he reaches China, with some good-mannered, open-faced, young boys and girls who continue to say this frequently to him, and ever after he will believe it, as against the words of any nasty world-hardened old person who speaks merely from long and genuine experience.

Closely complementary and associated with this is "Line" Number Two—which again, very paradoxically appears to convince most when it comes out of the mouths of eager youth which remembers least about pre-Liberation times—viz., the constant reiteration, every day and every few minutes, à propos of anything whatever that the traveller notices or comments on, that there was nothing like that in the old days, that conditions in this respect (as in all others) were worse, incomparably worse, before the Liberation. An old hand like myself is able constantly to buck against this, to say "not so, I was here, I saw it, in 1928/1934/1948 (or wherever it was) and you are misrepresenting the matter".

At least he may say this to himself; he finds it useless to say such things to his Chinese companions. The latter will, at best, be afflicted by amnesia on the point. Since I am making so many strictures on or around the work of the (doubtless sincere) Mr. de Segonzac, I should add here that he did not fail to notice this convenient resort to failure of memory. In "Fushien" (Fushun), for instance, he found (p. 127) that his interlocutors were able to tell him all about other past incidents, but "couldn't remember" whether or not the Russians had removed industrial plant after the war. He comments, at the same time, on the "stereotyped" character of many answers.

Nevertheless, in ninety cases out of a hundred, our author "falls" broadly for the technique in question. Sometimes a single word, the word "new", betrays its success: visiting Chungking, for instance, he notes (p. 170) "a new funicular railway"—I forget whether it was in 1944 or 45 that this was in fact put up. I suppose it would be a complete surprise, further, to our author any many others, to learn that very many, if not practically all, of the industrial, civil engineering and other plans now being implemented were drawn up many years ago, and would in many cases have been fulfilled many years ago, had it not been for Japanese invasion, and Communist sabotage of those same plans.

Factory-visiting is, in my opinion, a mug's game at the best of times, for non-technical people. Accounts like the one under review fail totally to see, for instance, the significance on the one hand of the fact that Communist China's 161 new key plants have entirely Russian and East European equipment and methods, while many other major installations are, on the other hand, those established by the Japanese, and still using mainly the Japanese machinery. Technologically, Communism is not creative, any more than it is humanistically; the inexperienced observer is unduly impressed by massed machinery or large installations, but, in my own experience, the Chinese people themselves are very shrewd in their private evaluations of the real or qualitative significance of all this Gigantic stuff.

In the main, then, the visiting foreign tyro has all too little of perspective, background knowledge, or standards of comparison to draw on, when he comes to China. When he proceeds further—in the manner of Mr. de Segonzac and his Editor, as above quoted—deliberately to throw out of the window or leave behind such mental yardsticks or intellectual rangefinders as he does possess, then what he does bring to China (the logical incongruity of it must excuse my mixture of metaphors) is just a disc of virgin wax, on which the Communist organisation imprints its propaganda-version clear and plain. The record he brings back just plays the communist tune.

But here and there are bumps or dissonances, where all was not pure wax, from the communist point of view. Here and there the commonsense, integrity and intelligence of our author, and his "camera-eye" experience in this business of reportage, nevertheless ungroove the siren-song. I have already instanced his discovery of a tendency to "amnesia" among his contacts, when he did have some data from the past to confront them with; and his rejection of some answers as "stereotyped". (I may cite at least one of my own experi-

ences in this respect. When I was in Manchuria a year ago, I enquired about Mr. Kao Kang. It was not long after the "purge" of this one-time Governor of Manchuria and very prominent Party personage. All, including responsible Party men, professed never to have heard of him. Curiously, Mr. de Segonzac visited (pp. 129 seq.) a village of that name, Kao Kang, near "Moukden". Is this a mistake, or has it now changed its name?).

I could give other examples of how this writer's genuine perceptiveness breaks through—but perhaps one more will suffice. I wish to make clear that I am not "picking on" him, but merely using his book as an interesting illustration of some of the workings of the Communist system of propaganda applied to foreign visitors.

Mr. de Segonzac asked a miner "if he had ever been interviewed before by foreigners. 'Often', was his reply. I was not surprised. He was an excellent propagandist. If it hadn't been for his coal-blackened face and gloved hands, I might have thought his only role in life was to wait to be on whenever a foreign visitor asked to speak to a miner". (p. 128).

Only once did Mr. de Segonzac really get off the beaten track. He found "a town with flies". (pp. 189 seq.). In spite of his interpreters' opposition, he insisted on going to a small town, chosen at random, in Hunan. He was shocked at the contrast to the show-places he had hitherto experienced. "I had the feeling of stepping into the Middle Ages. I was certainly the first European ever to set foot in the main street of this tiny city . . . it was lined with dark, almost empty shops" . . . There was "no electricity" but "swarms of flies". "Not even the blue-suit fashion" (sic) "has yet penetrated to this forgotten corner of the country."

At this place "I caught sight of about twenty prisoners under armed escort. Large Chinese characters were painted in red on their backs. It was a revelation of an aspect of China which had hitherto been unknown to me". (Altogether, he seems accidentally to have stepped definitely off the show-route, into the real China!). "I tried to find out whether these men were political prisoners. 'No', said my interpreter. 'Do they work in labour camps?', I persisted. The reply was somewhat evasive: 'These men are used for the good of the masses, and go back to the local prison every night! And more than that concludes Mr. de Segonzac, "I shall never know".

A pity he did not think, for instance, of copying the Chinese characters with which these men were marked. Some millions of Chinese, and quite a few foreigners, this side of Mars, could probably have told him what it all meant. But perhaps that would have spoiled the thrill of mystery, for the ultimate readers of his book? Or laid the author open to the charge of listening to "Kuomintang propaganda"?

* * * VANISHED CHINA

By W. H. Evans Thomas; Thorsons, 1956

This volume (subtitled *Far Eastern Banking Memories*) is in refreshing contrast to the work reviewed above. The author will be well-known to many people in Hongkong and many former residents of China generally. This is an excellent, highly entertaining, completely knowledgeable report on China, in the form of an autobiographical account of Mr. Evans Thomas' long, active, gay and zestful career, representing over forty years of the closest and most extensive contact with the real country and the real people. Clearly his liking and esteem for both were deep and true; and he relished it all—though it was far from being "all beer and skittles".

Some of the critical comments and bits of incidental information—whether on things in general, or on special matters, as for instance the technical history of Chinese banking, currency and exchanges—are of distinct value, besides the narrative interest.

The reader recaptures very accurately and pleasantly the true perspective and atmosphere of British and other foreign relations, personal, social and general, with China in modern times: of which Marxist propaganda is now giving out a crude caricature of an interpretation. This book is good reading value, for various tastes and from many points of view. It is recommended especially for China Hands, Old and Young.

Hongkong Exchange and Gold Markets

In every respect 1956 was a year of success, expansion and prosperity. The boom in construction, manufacturing and the tourist trade continues and shows clear signs of further growth. Entrepot trade is also satisfactory and profits derived from commercial transactions were generally better than in the preceding year. Government revenue is healthy and adequate to finance all expenditure from current earnings. No recourse to public debt flotation is necessary in spite of the ambitious public work projects and rising costs of administration. Influx of overseas Chinese capital has been very great during the year though recently this source is slowly drying up. The balance of international payments of Hongkong, on account of the unprecedented tourist trade, the inward remittances of funds from principally Chinese in S.E. Asia, the expenditure of the U.K. Government for the maintenance of a large garrison (including construction of buildings etc.) and the progressing exports of local products, has been active and no apprehension need be felt about the import excess which, when taking into account the purchases by travellers, export smuggling and the bullion trade as well as the considerable earnings by financial institutions in the official and the free markets, the insurance companies, the shipping and warehouse enterprises, must have been very considerably exceeded by "invisible exports". The local currency is strong and very sound; it is the principal free exchange of Asia, after the US\$, and quotations in the local open market reflect financial conditions in all Far Eastern and most other Asian markets. The Hongkong dollar remains freely convertible into US\$ and any other free market exchange the world over, into gold and silver, and also into rigidly controlled currencies in such countries where black markets operate. The opportunities offered by the local free exchange and bullion markets have been well explored but there is still much room for further development in a world of currency restrictions. Many specialists in exchange and bullion are established here to serve local and overseas customers. Most encouraging has been the construction progress; ever more and bigger projects are being announced. Including Government and Military constructions, and taking also into account the great sums of money spent on modernisation of stores, amusement places etc., it is likely that in 1956 over \$200 million have been invested in building of all sorts. Spectacular has been the growth of the tourist industry; hotels are chronically sold out, many weeks in advance, and intending tourists are continually turned away as no accommodation is available. Shops and stores catering for tourists, including U.S. Forces personnel, have multiplied and their aggregate sales have sky-rocketed. The population increases with immigrants arriving here all the time. There are more than 2½ million people living here; some estimates compute the population at 3 million. Although there is much poverty and misery around—as must be expected in a place so near to impoverished China suffering from "surplus population"—the opulence and luxury displayed in many shopping and residential quarters is very impressive. Material abundance and ant-like acquisitiveness is however confronted by spiritual and cultural vacuity. The outlook is clouded by the uncertain attitude of Peking vis-a-vis Hongkong. So long as communist China can turn Hongkong to good use, as at present and in the recent past, local prosperity will not be interfered with; provided that international circumstances as influenced by Moscow-Washington relations will not throw the precarious 'peaceful' co-prosperity—pardon, co-existence—out of gear. Meanwhile the free TT New York dominates financial thinking of Hongkong, and as a more normal sterling/dollar relationship has developed, the local collective mind has settled back to the old comfortable complacency.

Report for the week December 10th to 15th 1956:

Dec.	U.S.\$		Notes	
	T.T. High	T.T. Low	High	Low
10	\$629½	626¼	627½	623½
11	624	616½	624	613¼
12	617	613½	614	609½
13	613½	612	610¼	606¾
14	616	612½	612	605
15	619	616½	617½	614

D.D. Rates: High 627. Low 605½.

Trading totals: T.T. US\$4,360,000; Notes cash

US\$465,000, forward US\$5,060,000; D.D. US\$670,000. The market was weak; continuous selling on stronger Sterling. Firmness is expected to continue and rates will drop to the pre-Egyptian War level. In T.T. sector, switch exchange operators sold heavily with others following suit, while gold importers and profit-taking speculators bought at the lower level. In the Notes market, speculators were very active, but majority of them got caught by the sudden and heavy drop. Interest favoured sellers and aggregated \$4.50 per US\$1,000, while positions taken by speculators averaged US\$4½ million per day. In the D.D. sector, the market was rather heavy because remittances by overseas Chinese increased. Yen: Small business transacted in forward market and interest fixed at \$1.55 per Yen 100,000 in favour of buyers. Cash quotations were \$1,527.50—1,515.00 per Yen 100,000. Large spot business. Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.765—1.74, Japan 0.015325—0.01515, Malaya 1.875, India 1.15, Vietnam 0.0606, Thailand 0.2832—0.282. Sales: Pesos 450,000, Yen 145 million, Malayan \$380,000, Piastre 14 million, and Baht 6 million. Chinese Exchange: People's Bank Yuan notes quoted \$1.50—1.45 per Yuan. Taiwan Bank Dollar notes quoted \$165—164 per thousand dollars; remittances at 159—156. Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 16.20—16.13, Ireland 14.00, Australia 12.64—12.60, New Zealand 15.05—14.50, Egypt 11.00, East Africa 15.40—15.20, West Africa 13.50, South Africa 16.35—15.95, Jamaica 14.00, Fiji 10.00, India 1.183—1.1775, Pakistan 0.895—0.89, Ceylon 0.975, Burma 0.505, Malaya 1.849—1.844, Canada 6.45—6.27, Cuba 5.20, Argentine 0.17, Brazil 0.072, Philippines 1.85—1.83, Switzerland 1.41, West Germany 1.41, Italy 0.00925, Belgium 0.11, Sweden 1.00, Norway 0.70, Denmark 0.77, Netherlands 1.50, France 0.0152—0.0147, Vietnam 0.057—0.055, Laos 0.062—0.060, Cambodia 0.085—0.083, North Borneo 1.60, Indonesia 0.1975—0.1955, Thailand 0.277—0.274, Macau 0.998—0.995.

Gold Market

Dec.	High .945	Low .945	Macau .99
10	\$271½	269½	279½ High
11	268½	263½	
12	265½	262½	
13	263½	261½	
14	266	261½	Low 273
15	267½	265½	

The opening and closing prices were \$271½ and 266¾, and the highest and lowest 271½ and 261½. The market was weak in line with that of US\$, speculators sold with few supporters. Interest favoured sellers and aggregated \$2.60 per 10 taels of .945 fine. Traders averaged 11,500 taels per day and amounted to 69,000 taels for the week, in which 19,260 taels were cash transactions (4,560 taels listed officially and 14,700 taels arranged privately). Imports came from Macau and totalled 13,500 taels. One shipment of 24,000 fine ounces reached Macau in the week. Exports amounted to 11,000 taels (6,500 to Singapore, 3,500 to Indonesia, 1,000 to Vietnam). Differences paid for local and Macau .99 fine were \$13.20—13.00 and 12.50—12.00 respectively per tael of .945 fine. Cross rates were US\$37.72—37.68 while 10,800 fine ounces were contracted at 37.70 C.I.F. Macau. US double eagle old and new coins quoted \$280—274 and 237—232 respectively per coin and Mexican gold coins at 287—282 per coin. Silver Market: With the weak US\$ and gold markets and small imports from China and Macau, the market was easier. 1,000 taels of Bar Silver were traded at \$6.00 per tael; 1,200 dollar coins at \$3.85—3.83 per coin; and 2,000 twenty cent coins at \$2.95 per five coins.